

### The Berlin Reader: A Compendium on Urban Change and Activism

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Matthias Bernt, Britta Grell, Andrej Holm (eds.)

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# THE BERLIN READER

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A Compendium on Urban Change and Activism



**[transcript]** urban**s**tudies

Matthias Bernt, Britta Grell, Andrej Holm (eds.)  
The Berlin Reader



MATTHIAS BERNT, BRITTA GRELL, ANDREJ HOLM (EDS.)

## **The Berlin Reader**

A Compendium on Urban Change and Activism

**[transcript]**

Funded by the Humboldt University Berlin, the Rosa Luxemburg Foundation and the Leibniz Institute for Regional Development and Structural Planning (IRS) in Erkner.



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# Contents

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**Preface** | 9

## **Introduction**

Matthias Bernt, Britta Grell, Andrej Holm | 11

## **BERLIN'S MEGALOMANIA**

### **Berlin Won't Remain Berlin**

Hartmut Häußermann and Walter Siebel | 25

### **Berlin is Becoming the Capital – Surely and Securely**

Volker Eick | 33

### **Last Exit to Alexanderplatz**

Wolfgang Kil | 47

### **Berlin's Urban Development Discourse**

Symbolic Action and the Articulation of Hegemonic Interests

Simone Hain | 53

## **BERLIN IN-BETWEEN**

### **The Barbarian East**

Uwe Rada | 71

### **Berlin: From Divided to Fragmented City?**

Socio-Spatial Changes Since 1990

Hartmut Häußermann and Andreas Kapphan | 77

### **New Lines of Division in the New Berlin**

Margit Mayer | 95

### **Exploring the Substance and Style of Gentrification: Berlin's "Prenzlberg"**

Matthias Bernt and Andrej Holm | 107

## **BERLIN ON SALE**

### **City of Talents?**

Berlin's Regional Economy, Socio-Spatial Fabric  
and "Worst Practice" Urban Governance

Stefan Krätke | 131

### **The Uneven Development of Berlin's Housing Provision**

Institutional Investment and Its Consequences on the City and Its Tenants

Sabina Uffer | 155

### **Berlin's Gentrification Mainstream**

Andrej Holm | 171

### **The Berlin Water Company**

From "Inevitable" Privatization to "Impossible" Remunicipalization

Ross Beveridge and Matthias Naumann | 189

## **BERLIN CONTESTED**

### **Berlin Diversities**

The Perpetual Act of Becoming of a True Metropolis

Stephan Lanz | 207

### **"Berlin Does Not Love You"**

Notes On Berlin's "Tourism Controversy" and Its Discontents

Johannes Novy | 223



**The Sound of Berlin**

Subculture and Global Music Industry

Ingo Bader and Albert Scharenberg | 239

**Spree Riverbanks for Everyone!**

What Remains of “Sink Mediaspree”?

Jan Dohnke | 261

**Copyright Information | 275**



## Preface

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The *Berlin Reader* draws together already published and unpublished work that best illuminates urban transformations in Berlin since the fall of the wall. It aims to provide an international audience with an overview of the most central debates and developments the city has experienced in the last two decades. We have included both strictly scholarly and non-scholarly writings, thus enabling a varied range of perspectives.

The texts are arranged in four chapters, each focusing upon a specific period in the development of Berlin. All chapters include an introductory section by the editors which sets the texts in context and discusses how the individual papers fit into broader academic and political debates.

By collecting widely dispersed yet central writings, the *Berlin Reader* is an essential resource for students of urban development and transformation in one of the most interesting and important metropolises in Europe. The volume will have a widespread appeal for urban sociologists, planners, and political scientists alike.

This book owes its greatest debt to the authors whose work we have reprinted and to the translators. In addition to these, a number of people and institutions have crucially contributed to making this volume possible. We would like to thank the Humboldt University Berlin, the Leibniz Institute for Regional Development and Structural Planning in Erkner (IRS) and the Rosa Luxemburg Foundation who supported the project both financially and with personal resources. We are also grateful to Kerstin Wegel and Carmen Elisabeth Liebich for their practical support. Thanks are also due to Adrienne Gerhäuser (foto-agentur version) who provided the photograph for the book cover.



# Introduction

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*Matthias Bernt, Britta Grell, Andrej Holm*

“Berlin belongs to the whole world” – this quote from a current travel guide (Merian Berlin, 2013) paradigmatically symbolizes the growing international interest in the German capital. Berlin has, for many years, been a magnet for tourists and a city with an enormous attraction for students, artists and other so-called creatives from around the globe. The number of annual overnight stays more than doubled from 11 millions to almost 25 millions between 2002 and 2012. Berlin, since 2009, is positioned in third place behind London and Paris as the most popular European city. Interest in the German capital is growing among planners, architects, historians, social scientists, as well as among all those who are professionally concerned with questions of (careful or social) urban development, housing policy, and urban social movements, too, and also in relation to its particular urban history and the contestations that result from it. This is, among other things, visible in the growing number of national and international academic conferences and workshops to which experts in urban politics from Berlin are invited to share their findings and experiences. At the same time, more and more publications appear (ranging from journal articles to doctoral theses) on the topic of Berlin, particularly in the English-speaking world.

In this process we can observe, however, that key findings and publications in the field of social sciences made by German experts and authors, as well as their particular debates on Berlin’s urban development, are rarely noticed – not at least due to existing language barriers. In the past, it was only a few texts that were also written for an audience from abroad and translated into English. It is only since quite recently (for approximately the past ten years) that one finds texts that are specifically written for an international audience and made by academics, architects, and politicians who live in Berlin. And still, this international audience somewhat struggles – according to our experiences of talking to colleagues, students and visitors from abroad – to comprehend the specific political position and development of Berlin and the resulting conflicts (the coming-together of East and West since 1989; specific social, cultural and economic demands; traditions of careful urban renewal and so on).

## ACADEMIC DEBATE AND RESEARCH

Due to its front position during the Cold War, for a long time Berlin held a special status and for this reason was of rather little interest to international urban research. Over the past twenty years this situation has increasingly changed, and subsequently the themes and questions that are negotiated since the fall of the wall are today fairly numerous. In the 1990s the contributions often focused on the process of becoming the capital and the realization of large-scale construction projects (see Strom 1996; Marcuse 1998; Cochrane/Jonas 1999) alongside the politics of remembering in relation to the painful German history (see Ladd 1997; Czaplicka 1995; Huyssen 1997; Young 1999; Jordan 2006; Till 2005). Since the turn of the millennium we can observe a shift towards “urban based cultures” (Stahl 2008: 301) centering on the by now established creative economy (see Boyer 2001; Jakob 2011; Ward 2004; Gresillon 1999; Färber 2008) and various alternative and DIY projects (see Rosol 2010; Sabate Muriel 2009; Shaw 2005; Novy and Colomb 2012).

A singular common narrative framing research on Berlin no longer exists. Instead, catchphrases in Feuilleton-style such as “Berlin is poor but sexy” continue to circulate alongside Berlin being the “party and clubbing capital,” or, more recently, narratives about a surprise boom in Berlin real estate. In addition, academic attributions such as “Cultural Metropolis” (Grésillon 1999), “Virtual Global City” (Ward 2004), or “European City” (Molnar 2010) seem less well suited to represent the particularities of Berlin’s urban development. The image often reproduced within critical studies of a “site for experimentation for social movements and alternative life styles” similarly is a rather idealized and one-sided description of urban realities.

Like a jigsaw puzzle without a frame, it seems difficult to combine existing insights and observations of development trends to form a consistent image of Berlin. As much as clubbing and hipster culture, the squats, the many new community gardens, memorial sites of the wall, or the argument over the rebuilding of the Prussian City Palace in the borough of Mitte belong to Berlin, there are few conclusions we can make from these about the living conditions of most residents and about what we consider as key sites of urban political conflict, interest, and power relations. The majority of contributions about Berlin are – from our point of view – concerned with rather specific phenomena and neglect a necessary historical and political assessment of the objects under study; this neglect stands in the way of a fuller understanding of the city’s development as a whole. Typical for many studies (e.g. on the squats, club culture, or alternative economic projects) is a focus on internal visions and a perspective concerned with the particular project, analyzing its motivations, actors and processes but omitting contextual conditions, comprehensive processes and above all their outcomes in terms of urban politics. A detailed description of

the needle is of little use in the middle of the haystack. In addition, many of these studies are in danger of exoticizing Berlin's situation and contributing to an unreflective hype (aka "Berlin: the city of unlimited possibilities").

Hardly illuminating in this context are also the many studies and texts on the debate over changing the German capital and the relocation of the government from Bonn to Berlin. Studies on the background of the "Capital Contract" of 1991 and its implementation are certainly well suited to critically analyze the new German patriotism and the changing constellation of German elites at the end of the Cold War. However, with Berlin almost exclusively understood in these debates as a discourse topic and metaphor for a new "republic" and a new geopolitical positioning of Germany, actual urban change rarely features in these studies.

Another visible trend in research on Berlin lies in using the here-found restructuring, problems, and political disputes solely as proof for broader international trends and developments. Often, as seen for example in the charge of an UK-based author to his colleagues, these seem to remain stuck in their own debates and "impose their own preconceptions on distinctive experiences which actually fit uneasily with them" (Cochrane 2006: 371). Thus, most studies on large-scale urban renewal projects and key development sites in Berlin (such as Potsdamer Platz, Alexanderplatz, Friedrichstraße) solely "rediscover" in these locations the developments that already exist in New York, London, and other cities in the English-speaking world. The massive restructuring processes of the 1990s in particular were usually interpreted as a catching up of globally-oriented and investor-driven urban development (see Strom 1996; Lenhardt 2001; Lehrer 2003).

Gentrification processes, the restructuring of the welfare state and of planning instruments, or the tourist boom of late, are also primarily analyzed and discussed against a model of urban development concepts as established in international research. Yet, what commonalities the dynamics of displacement in Berlin's Prenzlauer Berg and the Lower East Side in New York actually share, whether investment planning at Potsdamer Platz follows a similar logic to the reclamation of the London Docklands, or whether Berlin's tourist marketing can be explained with the strategies applied in Bilbao, is usually left unexamined. Whether Berlin constitutes an "exceptional case" (Latham 2006) or an "ordinary city" (Cochrane 2006), whether the developments of the past twenty years can be described as "normalization," and what perspective would result from either, are all important questions – also for the urban researchers who live here. One requirement for a qualified response, however, has to be a jointly shared idea of what the actual developments in Berlin are.

## FRAMING THE JIGSAW PUZZLE: WHAT WE CONSIDER AS NECESSARY FOR UNDERSTANDING BERLIN

If urban research does not want to confine itself to the reproduction and application of global statements and concepts but is instead seriously concerned with explaining urban processes, it seems to us that a historical, political, and economic contextualization is required. Our starting point for this is: Berlin was and is in a whole range of ways “particular” and shaped by framing conditions that (at least in this combination) are nowhere else to be found. Key influences and contextual factors of urban development in Berlin today are found in:

- 1) the continuing consequences of the East West division and the new inequalities and injustices that are the outcome of the take-over of East Germany by West Germany;
- 2) the continuing economic crisis of Berlin and its development as the poorest metropolis of Germany;
- 3) moments of crisis of the Berlin banking scandal at the start of millennium and the resulting politics of austerity;
- 4) a historically specific grown culture of planning and its particularities in re-ordering urban politics and development.

### 1) Consequences of Division and Reunification

Forty years of division and the subsequent joining up of the East half to the West half of the city still remains one of the most formative events and experiences and is indispensable for understanding Berlin. From a *geographical* perspective, the reunification was linked to a territorial re-ordering of the city. In contrast to almost all other metropolises across the globe, this re-ordering involved the complete renegotiation of the relationship between the center and the periphery. While locations such as Alexanderplatz (since the late 1960s the center of East Berlin) thus immediately after the fall of the wall rapidly lost their significance, areas that, due to their proximity to the wall or on the margins of the West Berlin half of the city, had for a long time remained rather insignificant, such as Potsdamer Platz or the area around the Reichstag, gained a new centrality. For the *political administration*, reunification of the two half-cities meant a radical wind down of all East Berlin institutions. This not only applied to the state and administrative apparatus but also to large sections of industry, which were practically pulverized over night. Part of the *everyday experiences* of many East Berliners was not only the neglect of their educational and vocational qualifications but also the restoration of property to former owners, which led to a vast dominance of West German land owners. Those who had



grown up in East Berlin were suddenly confronted with the fact that from 1990 onwards not only was their workplace in danger but it was no longer certain that they could pay the rent for their homes. Bus and tram lines changed their numbers over night, trusted shops closed down, and the independence so hard fought for in the revolution of 1989 was no longer worth much.

In *urban planning*, a far-reaching transfer of personnel, structures, and instruments from West to East took place. The devaluation of East German experiences was reflected here in the open stigmatization and marginalization of urban planners, architects, and other professionals from the GDR (see particularly the contribution by Simone Hain in this collection). *Culturally*, the East West conflict was expressed in how to deal with, among other things, the historic center, the demolition of the Palace of the Republic, and the public perception of precast concrete buildings; considered as a modern form of housing provision in the East but regarded in the West mainly as an aesthetic irritant and structural symbol of the hated GDR. While many East Germans valued Alexanderplatz as a place for meetings, shopping, and demonstrations, West Berlin planners only found “Mongolian expanse” (see Wolfgang Kil’s contribution in this collection) and had little inhibition in proposing a comprehensive redesign. Parts of the *social aspects* include, not least, the drastic consequences arising from the considerable construction projects and gentrification processes that set in after the fall of the wall (see the contributions by Holm and by Bernt and Holm for this). In Prenzlauer Berg and other East Berlin areas of renewal, they caused the displacement of up to 80 per cent of their original (mainly East German) residents. In total, these developments often led, particularly among East Berlin intellectuals and social movements, to a feeling of “colonization” by Western bureaucrats and elites.

## **2) Berlin: Metropolis of Poverty**

Another crucial starting point for understanding Berlin lies in the crisis of its urban economy, something that has not been overcome in the past twenty years. Considering Berlin was before WW II still the largest industrial metropolis of Germany and East Berlin later the economic center of the GDR, for a not inconsiderable part of the local population the fall of the wall meant the destruction of their foundations for living and a definite loss in social status. The outcome of privatization and winding down of the industrial base of East Berlin, the dissolution of one whole government and administrative apparatus, as well as an end to the subsidies for labor-intensive businesses in the front-line city of West Berlin, is that they have primarily resulted in the extreme decline of jobs and an erosion of the city’s economic base, which to this date has not been overcome (see Krätke’s contribution in this collection).

This development took place in East Berlin as early as the summer of 1990, almost over night, and led to the high base unemployment and low level of income that exists to this day. But also for a not inconsiderable part of West Berlin's population – in particular from the left and alternative milieu, and for migrants who arrived since the 1960s from Turkey and other South European countries as so-called guest workers in the front-line city – the new circumstances led to considerable disadvantages. For one, many migrants felt threatened and excluded when confronted by the reunification fever which at times included openly nationalist and racist traits. Also, their working and living conditions came under unexpected pressure, often after having taken on a kind of niche existence in the shadow of the wall (e.g. in large parts of Kreuzberg).

Accordingly, Berlin is until today not only the German city with the highest unemployment but is also on a European scale the only capital whose GDP lies below the national average (Gornig 2012: 43). Or, to put it differently: the wealthiest and by now also most powerful country in the European Union has the relatively poorest capital. The city's constant economic crisis not only has social consequences but is also, and always, at the same time the basis for the extensive clubbing culture and alternative economies (see in this collection the contribution by Scharenberg and Bader). The widely famed techno scene of the early 1990s would simply have had no playground without the closure of East Berlin's industrial businesses. The same applies to the start-ups (considered as innovative by various sources) as well as to the many commercial or cultural temporary uses of space in often income-poor neighborhoods such as Wedding or Neukölln. Many of the new and hip galleries, "art spaces," bars and small businesses – whose offer is often not addressed to local populations but largely to out-of-towners and visitors – to this day benefit indirectly from the extensive unemployment and poverty and the resulting relatively low costs of living in Berlin.

### **3) Banking Scandal and Austerity Politics**

Although Berlin's economic and financial crisis has many different structural and political origins, the "Berlin banking scandal" at the start of the 21<sup>st</sup> century deserves a special mention. After all, speculating with public finances – with the knowledge of the former government, several billion Euros were gambled away as security for private real estate transactions through a publicly-owned bank – permanently changed the framework of Berlin's urban politics. By rescuing the bankrupt *Berlin Bankgesellschaft* an "extreme budgetary emergency" was created (the city's deficit sits at the moment at around 60 billion Euros), which for many years has been used to justify the retreat of the local state from a range of tasks and funding programs (e.g. the funding of social housing and self-help construction projects). The highest political aim for Berlin has since,

and independently of current political power and government coalitions,<sup>1</sup> been a balanced budget (long before the official adoption of the so-called debt brake in 2011 into the German constitution). This orientation led to an extensive wave of privatizations at the start of the millennium, both of public housing stock as well as of numerous communal infrastructure companies (electricity, gas and water), affecting a range of other welfare state achievements (see the contributions by Uffer and by Beveridge and Naumann in this collection). The transition to “austerity urbanism” (Peck 2012) in Berlin did not have to wait for a global financial crisis.

#### **4) The (Lost) Inheritance of “Careful Urban Renewal”**

A formative particularity for Berlin’s planning culture is the concept of “careful urban renewal,” developed in West Berlin in the context of the 1987 International Building Exhibition. It can also be considered as a response to the squatters’ movement in the West half of the city, which was very active in the first half of the 1980s with their massive protests against property speculation. The concept combined the physical renewal of existing buildings with the expectation of preserving urban and social structures. During the 1980s what this practice meant for the neighborhoods with old building structures in West Berlin was restoration instead of demolition, protection of low-income populations instead of displacement, as well as an active participation (where possible) of the residents in restoration decisions where they are concerned. This inheritance, supported by considerable financial subsidies from the federal government, shaped into the 1990s the planning culture of Berlin and led to a range of participatory processes as well as to particular forms of co-operation between NGOs, respective networks, and coalitions of interest (see Bernt 2003). Although the instruments used in the past to create “carefulness” are largely considered outdated and are discredited among experts due to their poor sustainability and high cost, the aims of “careful urban renewal” have never been openly challenged. In contrast to many other Western metropolises, there still exists in Berlin a shared belief – reaching far into conservative quar-

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**1 |** Following the fall of the wall, Berlin was governed by changeable political coalitions: between 1989 and 1990, first by a coalition of Social Democrats (SPD) and Greens, which broke up over the dealing with squats in East Berlin; between 1990 and 2001, by a coalition of SPD and Conservatives (CDU), which broke up over the banking scandal; between 2001 and 2011, by a red-red coalition including alongside the SPD also as junior partner the PDS (Party of Democratic Socialism) – the successor party to the Communist part of the former GDR and today called DIE LINKE (the Left). Since 2001 the city is governed, despite a tendency towards a left majority among the voters, by a grand coalition of SPD and CDU.

ters – that displacement of low-income populations from the city center should be avoided; that a socially mixed city has to be preserved; that residents are to be involved in decisions that directly affect them; and that the local state is responsible for all this. Although the reality is often a different one, these convictions remain to this date a significant influence on Berlin's urban politics.

## **ON THE STRUCTURE AND THE INDIVIDUAL CONTRIBUTIONS OF THIS READER**

Setting out with the assumption formulated above on the factors that influence Berlin's urban development, we, when conceptualizing this Berlin Reader, began our search for contributions that either explicitly approached these concerns or were suited to making explicit for an international audience the main lines of conflict linked to the far-reaching restructuring and urban transformations since 1989. At the start of the project we sought inspiration from experienced colleagues who research and write on Berlin, and asked them to point us towards what they consider to have been key texts on Berlin's urban development over the past two decades. The result is a combination of some more traditional social science texts presenting key empirical findings – e.g. on social segregation and the city's economic base, or in relation to migration – and more journalistic articles and polemics that are best considered as interventions in public political controversies (such as over the design of the historical center or the consequences of the government relocation).

To allow for a certain orientation we allocated the texts – which, except for a few, were only published in German before (see the copyright information on p. 277 ff. ) – into four chapters that follow a rough chronology and are intended to reflect key themes or specific stages of urban political contestation in Berlin. We have included brief introductions to each chapter to provide some historical context for the contributions and their line of argument and to briefly introduce the author(s).

The first section is titled “Berlin's Megalomania” and above all provides a reminder when viewed from today of the odd expectations (of growth) and capital fantasies that dominated political debates immediately after reunification and during the first years after the fall of the wall. The authors assembled here belonged to the few critical voices in that situation that questioned the megalomania and wishful thinking of many predictions and called for a different planning culture – one that was guided by the needs of local populations in both East and West. The contributions in the second section, entitled “Berlin In-Between,” originate from a period of transition and a shared sense of disillusion during the second half of the 1990s. In contrast to today, during that time in Germany and Berlin hardly anyone outside of expert circles

knew of the term gentrification. This marks the phase during which the first comprehensive empirical studies on new social and geographical divisions in the city were conducted. These led to extensive public discussions about the causes of the emerging divisions. The third section concerns the clearance sale of Berlin ("Berlin on Sale"). The city was facing bankruptcy at the beginning of the 21<sup>st</sup> century due to both a lack of economic development towards a successful service and commercial metropolis and the many errors made by local elites. This decisive stage for urban politics – characterized by considerable welfare cuts and a strict plan for budget consolidation, despite a fairly leftist local government – still remains to be properly analyzed and come to terms with (see Holm et al. 2011). Accordingly, most studies on the privatization of housing or of public infrastructure organizations and their consequences, of which we assembled a few in this section, are of a fairly recent date. Finally, with the contributions to the fourth and final section, under the title "Berlin Contested," we seek to cast light on to several significant contemporary cultural currents and social movements in the city. All these ask, in very different ways, how is the "Right to the City" to be understood in the context of a metropolis that like Berlin considers itself to be liberal, tolerant, and cosmopolitan? What does this mean in the context of diverse forms of old and new migration? How does Berlin deal with the demands that are linked to the ever-increasing diversity of life styles and ideas of urban use, in particular in relation to the central spaces of its city center? What alternative demands are made by current political protest movements, and what are their chances of realization in the face of conditions that in the critical social sciences are increasingly considered as "post-political" or "post-democratic" (see, e.g., Swyngedouw 2009)?

This collection takes on these questions but certainly does not provide sufficient answers. As with other readers, there remain thematic gaps and the selection of material and authors can be called into question. A comprehensive, complete and balanced presentation of all issues that are to be discussed in relation to Berlin does not only exceed the frame of a reader but is practically impossible; the topic itself presents a "moving target." At the same time, there remain huge gaps in relation to research on Berlin's urban development – this is also reflected in our edited collection. This applies, e.g., to an analysis of urban social movements, the history and present of migration, or the role played by the local government and specific governance structures. All these points are not given the relevance that they actually deserve in light of their significance for Berlin's urban development – neither in actual research nor in this reader. For these reasons we hope that our Berlin Reader provides further inspiration for research but also for political debate over the future of Berlin and other cities.

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# Berlin's Megalomania

In the aftermath of the fall of the Berlin Wall, in the early 1990s, the city changed dramatically, regarding both perceptions and imaginations as well as its urban reality.

A number of political decisions were central to the ensuing period. First, due to the haste in which decisions were taken, the GDR and its former capital East Berlin were incorporated into a "ready-made-state." This meant the introduction of capitalist market rule and the direct transfer of institutions, elites, and resources from the West to the East, practically overnight. Second, both the decision to move the (West) German capital (back) from Bonn to Berlin and to apply for the Olympic Games in 2000 stand for the claim of the Western elites to (re)position Berlin in the national and international arena. The hype around an emerging "new Berlin" raised high expectations about anticipated population growth (up to 5 million over the next 10 years), the settlement of headquarters of large international corporations, and the overall opportunities for investment and economic development. Overoptimistic growth forecasts by many urban and economic research institutes decisively influenced public discourses and urban planning processes. A strategic study "On the way to the commercial capital Berlin," launched by the local government in 1992, predicted that Berlin would soon play in the same league as London, Paris or even New York, and rise to a global city status.

One result of this gold rush mentality – shared by local politicians and international investors alike – were massive redevelopment projects and building sites such as the Potsdamer Platz, Friedrichstraße or the construction of more than 100,000 new residential units in the urban periphery of East Berlin (the "new suburbs"). At the same time, the social and economic prospects of large parts of the population remained rather bleak. The collapse of state socialism in the Eastern part of the city and the breakdown of a state-subsidized economy in the Western part had fundamental consequences for the daily lives of most Berliners. Mainly due to the comprehensive privatization and destruction of the formerly state-managed industry in East Berlin, the process of deindustrialization accelerated and destroyed hundreds of thousands of jobs. In addition to that, the population of East Berlin was confronted with the restitution of most properties (built before 1949) to old owners or their heirs, and the initiation of a private housing market with sky-high rents. East Berliners also had

to deal with the experience of the delegitimization and dismissal of virtually all existing administrative structures and the takeover by new administrations from the West.

Against the background of these diverging realities and experiences it should not be surprising that urban discussions around that time were also rather polarized and driven by various projections concerning both the past and future of the city. Whereas the elites took a position that tried to enforce the vision of a reunified and economically prospering Berlin as a national project, opposing views to this also existed.

The article by Hartmut Häußermann und Walter Siebel in this section of the book represents precisely such an opposing perspective. Under the metaphorical title "Berlin Won't Remain Berlin," two of Germany's well-known professors for urban sociology expressed their skepticism against the hype of the "new Berlin" and explored possible developments and new configurations of Berlin's urban structure. This article was not only important because it was one of the first critical voices in the "Berlin discussion" after 1990 but, furthermore, they predicted and foresaw a wide range of socio-spatial consequences.

Another voice and concern in the urban debates in the early 1990s unfolds in Volker Eick's article on the prospects for security structures in the new German capital. His analysis stands as exemplary for a wide range of critical publications calling the "new Berlin" out as a conservative, reactionary and revanchist project of Germany's ruling political classes. This perspective, critical of the state, is representative of a left-wing and liberal-minded milieu in West Berlin, socialized with the hope of social and ecological reforms and marginalized in the reunified Berlin.

The articles of Wolfgang Kil and Simone Hain (both working in the field of architecture and from the former GDR) not only reflect the discontent with the urban master plan for East Berlin's inner city but also express the deep anger and disappointment of East German intellectuals about the disregard urban planning and urban planners from the former GDR received post-1990. Whereas Wolfgang Kil criticizes the "Western" view embodied in the skyscraper project north of Alexanderplatz developed in the early 1990s, Hain analyzes the power structures and hegemonic narratives underlying the "Planwerk Innenstadt," a master plan project for Berlin's central district that became subject to heated debates in the late 1990s. The formative experience of alienation caused by the paradox of the political experience of winning a revolution but subsequently being overrun by reunification is strongly present in both articles.

# Berlin Won't Remain Berlin<sup>1</sup>

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*Hartmut Häußermann and Walter Siebel*

The decision has been made concerning the future seat of government of the Federal Republic of Germany. The constitution, the political system, and even the name of the newly created country will simply be taken over from the Western half, but the seat of government will be transferred: according to the majority in the *Bundestag*, this is the “completion of unification.”

We wish to deal more extensively with the consequences for the development of Berlin arising from the decision to make it the capital.

## URBAN STRUCTURAL ASPECTS

The perspective that after the unification of both German states Berlin might simply become a big city with lots of problems has apparently come as a lasting shock to Berlin politicians. The only political perspective for the city that the Senate and municipal authorities were capable of developing was: being the seat of government for Germany. This appeared to be the simplest solution, since it was associated with the hope of continuing federal subsidies and preventing a decline in importance. Berlin: the capital. What else? Yes, what else? That would have been the question if by coincidence another majority had won the day in the *Bundestag* on June 20, 1991. Nobody in Berlin would have been able to answer the question, since in the past, nobody had to seriously consider any strategies other than throwing money at problems and dressing them up in symbolism.

However, this bet won't pay off in the future. On the contrary: in terms of its inner structure and political culture, the city is confronted with even more difficult times than ever before. And if people are now gushing about the “metropolis of the future,” we have to ask what contours can already be made out.

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**1** | Source: Häußermann, H. and Siebel, W. (1991) Berlin bleibt nicht Berlin. *Leviathan. Zeitschrift für Sozialwissenschaft* 19.3, 353-371.

## BERLIN HAS SOME MASSIVE CHALLENGES BEFORE IT

- In Berlin, both social systems confront one another: two different economies and cultures, as well as a diversity of biographies and individual characters. Here, we'll find out most quickly whether that which was so fundamentally separated can grow together, and at what cost to whom.
  - Berlin has to once again become a *single* city. Two city torsos, which had alternately stood in secret and open opposition to one another, have to become one.
  - In terms of economy and urban development policy, Berlin had existed in a bubble. That preserved economic and spatial structures that had long since disappeared in the old Federal Republic of Germany. Now, in the shortest possible time, Berlin has to catch up with changes that have been consummated in West German cities for the last thirty years:
- (a) For one thing, suburbanization. The wall had inhibited any push into the hinterlands, but in the next few years the pent-up desire for a house with a lawn will pour out onto the sands of the Mark of Brandenburg. Industry will occupy new lots in the previously untouched landscape. Nowhere has it been possible to stop urban sprawl into the surrounding countryside. In light of the long pent-up pressure and the expected influx to Berlin, the city will have to make great efforts in order to prevent the Mark from being covered in the same tenacious mush of settlements that has sprawled out between Frankfurt am Main and the Taunus mountains.
  - (b) For another thing, the reorganization and dismantling of industry. In contrast to London and Paris, Berlin first became prominent as an industrial city – not as exclusively as the Ruhr, but similarly. The city still bears the marks of this structure even today. In West Berlin, the enormous subsidization of industry led – as in East Berlin – to the maintenance or creation of structures that had long since disappeared elsewhere: obsolete production facilities for obsolete products, extended workbenches, and too many workers with low qualifications or the wrong qualifications. In industrial enterprises in Munich, the share of academics is double that of Berlin. Berlin is standing before a dramatic upheaval in its economic base, for which other regions had far more time to prepare, even if they have not completely managed it. In the upper Spree region in the east, in Oberschöneweide, Trepow, Friedrichshain, and Marzahn, old hazardous waste dumps have to be found and eliminated, and branches of industry revamped. There are thus enormous tasks of constructional, social, ecological, and cultural renewal comparable to those taken up by the IBA [International Building Exhibition] Emscher-Park in the northern Ruhr region for the next ten years.

(c) And third, the transformation into a modern service-sector city; service sector employees in Berlin work primarily in public service and services financed by the state. More thinly staffed are the so-called production-oriented services, which are decisive for the economic prosperity of a region. So there is considerable catching-up to do. However, these are jobs for those with above-average qualifications. That means that of the cautious estimate of 300,000 unemployed for the year 1991 in the greater Berlin area (DIW-Wochenbericht 22/1990: 301), only a small number will be able to occupy new jobs – in part because high qualifications are required for the new jobs in the production-oriented services, which local unemployed people don't have, and in part because the reorganization and shrinking in industry will have as a consequence a reduction in the number of low-skilled workers, and partially because the technical and cultural abilities of future immigrants are not in demand in a post-industrial metropolis. As a result, the gap between the employed and those in the gray area of the labor market or the unemployed will continue to widen – with far-reaching consequences of social marginalization.

In addition to these problems of a long backed-up spatial, economic, and social structural transformation, which have to be caught up on in the shortest possible period of time, there are also the tasks of merging two different social formations and two cities, as well as managing new growth spurts.

## PROGNOSES

The prognoses for greater Berlin are impressive. In the coming twenty years, the number of residents is expected to increase by about 1.2 or 1.4 million, the number of jobs by 700,000, and the number of automobiles by 1.8 million. 800,000 apartments and 20 million square meters of office space have to be built. For industry and trade, an additional 22.5 million are required. The enormous need for space will have to be satisfied primarily in the surrounding areas, since there are too few industrial areas and areas cleared by the allied powers available. Recreational areas near the city will presumably be settled. The construction of new dwellings will to a considerable extent have to occur in the space-eating form of the single family home, if competition for inner city residential locations is not to be further intensified. Environmental contamination from automobile traffic and energy use will increase.

So the demand for construction is massive: according to conservative estimates, 20,000 to 40,000 apartments and 1 million square meters of office space have to be built each year. Furthermore, the enormous tasks of maintaining and modernizing apartments, office buildings, road networks and canals,

the extension of the public transportation system, and the renewal of industrial facilities. Construction capacity, on the other hand, is extremely limited. The Berlin Senate speaks of a lack of 152,000 apartments for the year 1992 alone. In the 1980s in West Berlin, a maximum of 8,000 apartments and 50,000 square meters of office space were constructed annually.

The discrepancy between the need for spaces and construction and the available capacity and reserves will necessarily lead to an extreme jump in prices. This process is already underway. Rents and sale prices for apartments, offices, and commercial space have risen explosively, with corresponding consequences for less profitable businesses and low-income households (cf. *Der Spiegel* 10/1991). In the real estate section of the *Frankfurter Allgemeine Zeitung* (FAZ), reports on Berlin are dominated by keywords such as "gold rush" and "gold-digger mentality." Here, the federal government will be confronted "up close and personal" with a socio-political problem: real estate speculation. Office rents have tripled and quadrupled within a few months after German reunification to 70-100 DM per square meter. "Even residential real estate is worth its weight in gold. Monthly rents of 20 to 50 DM per square meter are being demanded" (FAZ, April 19, 1991). The Berlin government will have to think of something to prevent a situation where most of the money earmarked for reconstructing the capital ends up in the hands of real estate owners.

In light of the foreseeable deepening economic decline in the East and South, we can expect strong immigration from Eastern European countries, Turkey, and more distant countries. As in the metropolises of the Western world, the Third World and also the "Third Europe" will settle in Berlin.

## **SPATIAL AND SOCIAL SEGREGATION IN THE CITY?**

Prognoses concerning the extent of immigration from the East and Southeast are highly speculative. Less speculative, however, is the assumption that on the real estate market, as well as on the job market, the gap between those on the inside and those on the outside will increase. Even in Berlin, slums and larger territories with emergency accommodation, a shadow economy, and gray labor markets could spread; in cities like New York, London, or Paris they have long since become normality. However, this has negative effects upon the islands of the well-off. Locations whose immediate surroundings are threatened by the spread of slums, such as the London Harbor area, will hardly be attractive to the growing number of business people over the long term. Some so-called "good neighborhoods" in New York (e.g. Battery Park City) are secured with a military effort and the most sophisticated surveillance techniques. In Liverpool, new residential areas with elements of medieval fortifications are constructed as so-called "defensible space." These architectural and security techniques are

the necessary consequence of social segregation in the city. At the same time, with the defense that they offer, they give their beneficiaries the experience of being permanently threatened and subject to complete control. Over the long term, both might put off even the most hardened yuppie from living in the city.

In any case, Berlin will definitely grow, and much too fast for its construction and planning capacities to become adequate to this growth. During the process of deciding what city would be the new German capital, the question was not *whether* Berlin would grow, but rather *how fast, how chaotically, and how ruthlessly* toward weaker interests.

## URBAN DEVELOPMENT RISKS

Among these weaker interests are not only groups living at the margins of society or the environment. Creating space in ten to fifteen years for an entire government also contains urban development and architectural risks. Will buildings constructed under such time pressure withstand the next forty years? Will the architecture conceived so hastily age with dignity, so that it will still be regarded as tolerable in future times? Or will it be the case that all too soon the fads of the 1990s will be recognizable, like the annual growth rings of the 1960s, 1970s, and 1980s are today? For the International Building Exhibition of 1957, Berlin gathered the heroes of modernism: Alva Aalto, Le Corbusier, Walter Gropius, and Oscar Niemeyer. Their result, the Hansa district, was celebrated worldwide. These days, it would lose in every international competition. The shelf life for urban and architectural fads has become considerably shorter than that of the buildings themselves. The great gestures of postmodernism might also age rapidly.

At the moment, the relocation of the government offers the hope of realizing the postmodern dreams of many architects. The FAZ action "12 Architects Design the Berlin of Tomorrow" offers the most striking proof that a city can no longer get by without the gesture of an architectural grand master. O.M. Ungers thus drew the ironic conclusion: he proposed to build everything in Berlin that had hitherto remained unrealized in architectural history. "Louis Cahns office high-rise, Leo Nidov's concept for Red Square, Adolf Loos' Chicago Tribune tower, or L. Lissitzsky's cloud iron" (FAZ, May 1, 1991). His proposal would gain a bit of color if one added a few living exemplars to the unrealized drafts: the Great Pyramid of Cheops, the Eiffel Tower, the Empire State Building and Neuschwanstein Castle. Berlin as a theme park of world architecture! And a competent developer could also probably be found: the Disney Company.

Such urban planning absurdities nonetheless have a rational kernel: the notion of the polycentrality and chaotic diversity of the modern agglomeration and the attempt to create good individual buildings. However, one fears that

Berlin will get a lot of new junk. In Berlin, there will be little time for good architecture and urban planning, democratic participation and “cautious urban renewal.” The haste alone with which the central zone between Potsdamer Platz and the *Staatsbibliothek* was thrown at Daimler Benz reveals what kind of “mixture of actionism and privy council politics” (Manfred Sack) holds sway in Berlin. When the federal government is added to the picture, the result is an orgy of “unbureaucratic decisions” and fashionable glamour architecture that the city will suffer from for at least a century. Christoph Hackelsberger writes:

“Greater Berlin needs a totally reorganized, powerful, central planning department which attracts a large number of free forces and makes use of their creativity. This reorganized planning department needs a departmental leader at the top exempt from any feuds and the usual hindrances that loom over electoral seasons and who can behave intelligently over the long term” (*Die Welt am Sonntag*, August 7, 1990).

This is the old longing of the architect for Baron Haussmann and Napoleon the Third, which Hitler’s “general inspector for the *Reichshauptstadt*” also probably would not have formulated any differently. The cry for authority and authoritarian power arises less from a self-conscious conviction than from a powerless display in the face of the helplessness of the urban planner with regard to the reality of modern big cities. However, the task of designing a capital city will all too often yield pretenses for imposing gestures, and will leave little time for rethinking and reflection – and above all else will change the political culture of decision making concerning the design and utilization structure of the city. Where history and the nation find their way, the years will hardly be squandered on the nerve-wracking involvement of economically uninteresting groups in urban planning.

## **A CLIMATE OF REPRESSION INSTEAD OF METROPOLITAN URBANITY?**

Due to its position as the easternmost Western city, Berlin had the chance to offer a place for the encounter and intersection of different cultures. As a multicultural city in a welfare state system, during the period of the “new mass migration” expected as a result of the collapse of the socialist countries, it could have actually become the “capital of the 21<sup>st</sup> century.” However, the chances of all this will be worse, when national and international centers of power usurp the city.

A multicultural city, which bears this title not as a burden but as a privilege, is comprised of a multitude of sufficiently large ethnic and national minorities, who need a liberal environment and spatial development possibilities in order to work out their cultural tensions.



"The bracing climate of a world city can, in the form of a concentrated intelligentsia, be very productive for the whole society; in contrast, such a bracing climate is a considerable danger for political centers, and the transmission of tensions in their sphere of activity make them unpredictable, susceptible to extortion, or defensive. When East-West cooperation was taken into consideration in the 1980s, the unique cultural resources of Berlin were regarded as the foundation for its status as a city of culture and a center for the encounter between East and West. Now, after the collapse of the Soviet empire, Berlin's chances are better than those at any time during the last sixty years to draw upon its old mediating function as the fringe of Eastern Europe. And, through its reclaimed central position, in which Berlin has become the starting point for Eastern Europe, hardly an hour from the Oder border, such a mediating role is more important than ever. Recent news items show us that Berlin is not spared the foreigner-syndrome of the new German states. But a cultural world city, which is always comprised of many sufficiently large partial cultures, can remain capable of integration, can translate social tensions into cultural ones, and can confront the unavoidable consequences of a world city, namely increased delinquency, criminality, and mafia-like structures, with a liberality more promising of success than a circle of violence. A city with emphatic political functions, in which politicians have to isolate themselves against the susceptibility to extortion, will not be able to perform this task: it will become defensive, it will seal up the border of prosperity at the Oder, it will nationally displace its multicultural potential, it will become a hotbed of inner militarization and attempt to transform the space of experimentation known as culture into a coulisse of representation" (Niethammer 1991: 7 f.).

Very little speaks for the notion that the relocation of the federal government to Berlin will make the management of its enormous economic, social, architectural, ecological, and socio-political tasks any easier. On the contrary, the pressures of growth will increase and thus the time pressures and costs. Even more demand, even greater use of space, price increases, and displacement, and less time for decisions to be made in a well-considered manner and for plans to mature. The relocation of the federal government to Berlin will intensify Berlin's problems. According to estimates from Bonn, 55,000 jobs are directly affected by the decision. Along with family members, this means an addition of 100,000 new residents of Berlin with purchasing power. The fight for the capital can begin; it's clear who the probable losers will be.

## PERSPECTIVES

When, in the last twenty years, the "crisis of the big cities" was debated and the perspective of a "new urbanity" discussed, concepts like "ecological, social, decentralized, democratic, and multicultural" played a central role. In the dis-

cussion concerning the advantages of Berlin as a seat of government and the future perspectives of the new capital, they were hardly mentioned, and they were not relevant to the decision in any respect. It looks like the decision for the capital was made against a modern development of the city, as if policy and city conceptions of the 19<sup>th</sup> century were the inspiration and not perspectives for the 21<sup>st</sup> century. If ecological, social, and democratic perspectives are not to be simply yielded to the new city management without a struggle, Berlin will be confronted by a more conflict-laden and turbulent future than was ever conceivable in the past. However: the chances for the new, the chances for a livable city, in which *all* residents can establish themselves in an acceptable way, have in no way become better.

*Translated by Alexander Locascio*

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# Berlin is Becoming the Capital – Surely and Securely<sup>1</sup>

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*Volker Eick*

The change from being an extended workbench, from the metropolis of subsidies to the East-West hub, to “enterprise Berlin” (Eberhard Diepgen) – this is both the dream and belief of the city’s political and business elites. But not theirs alone. International marketing and development agencies, multinationals (or at least their counterparts), banks, PR strategists and not least the federal government, all want to give Berlin the right form and shape or, even, to continue in the good old German tradition of “where we stopped in 1945” – as the CEO of Berlin Bank AG (now, since its merger, the 8th largest bank of Germany) reported with a refreshing honesty.

Deregulation is the magic word and Berlin is being trained in five central aspects to become a global city. All the elites who rally around profit maximization share a common interest; to proceed without disturbances with Berlin as the logistical center. The required security apparatus, put together by the federal government, the Berlin Senate and private sector shortly before the turn of the millennium, happily takes to the stage – in contrast to the city’s poor. The latter have to disappear. A little journey through Berlin’s present shows the instruments designed to get rid of the poor as well as saying goodbye to the goal of abolishing poverty.

1. ADMINISTRATION: The merger of different Senate positions and the reduction of the Berlin administration (by 30,000 to 50,000 posts) was introduced in 1992 with the so-called Heckelmann papers (cf. Münter 1992); the change from cameralistic budgeting to “lean public administration” is in process (Liebold 1995: 1); potential “efficiency savings” of a further 20,000 jobs are considered as realistic if the *Länder* Berlin and Brandenburg merged (cf. Sparmann 1995:

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**1** | Source: Eick, V. (1995) “Berlin wird Hauptstadt, aber sicher ...” In Sträter, F. (ed.) *Los Angeles – Berlin. Stadt der Zukunft – Zukunft der Stadt*. Context Verlag, Stuttgart, 129-142.

6); the planned aggregation of currently 23 districts into only twelve has so far failed due to the resistance of local administrations.

2. PRIVATIZATION: Services and construction projects that until now have been solely public are increasingly conducted as public-private-partnerships (Zawatka-Gerlach 1995: 9); the privatization of transport and other utilities and public services (water supply, hospitals, street cleaning) is running at high speed (cf. Jurczyk 1994); municipal city marketing and tourist advertising are being privatized; the direct investment strategies for industry and service sector businesses are being transferred into private ownership or taken out of parliamentary accountability.

3. INVESTMENTS: The Senate contributes in four key investment fields to Berlin's anticipated future leading position, both globally and within Germany: the expansion of Berlin as a location for industry fairs, the establishment of Adlershof as a research and technology location, and the expansion of Berlin as the site of parliament and government. All of which illustrate an urban politics of international dimensions (cf. IHK Berlin 1992 and 1993). In the meantime, larger social housing projects are threatened, halted, delayed or subjected to financial reductions (cf. Lessen 1995: 7).

4. CAPITAL: These processes of deregulation are superposed by the decision of the German Parliament (the *Bundestag*) to transfer its own location as well as the site of the federal government to Berlin, even if not all government departments arrive in full but (in the first instance) only with a so-called head office. City center locations were primarily chosen as sites for departments and administration, leading to a subsequent relocation of embassies, (foreign) industry and trade agencies and lobby organizations alongside company headquarters and banks.

5. URBAN STRUCTURE: The concept of decentered concentration, promoted as a key vision by the Senator for Urban Development, Volker Hassemer, is intended to strengthen the poly-central structure of the city. The relocation of industrial companies into the Berlin hinterland (its affluent commuter belt), an orientation towards services for the city center (European Service Metropolis) as well as a modified concept of careful urban regeneration (cf. Bodenschatz and Welch-Guerra 1993), however, leads in a programmed and determined framework to small-scale social polarization (cf. Borst 1993; *Der Spiegel* 8/1995: 52 f.).

Admittedly, new lines of conflict are pre-programmed into the changes sketched out above. However, the grand coalition of SPD and CDU that governs in Berlin is not threatened by a parliamentary opposition and can integrate the remainders from the Fordist era of the "Berlin quagmire" (CDU) and respective "sleaze" (SPD) into its modernizing strategy (Sontheimer and Vorfelder 1987). While the numerous newly arriving and aspiring elites in their demands for political power provoke new conflicts, the power of definition over what consti-

tutes accurate goals, important problems and serious problem groups remains in the hands of the established pro-growth coalition.

## FROM MANAGING THE POOR TO REMOVING THEM

Up until the middle of the 1980s we can talk with certain justification about certain freedoms in Berlin for migrants, prostitutes, beggars, homeless, punks and drug users. This can be done without trivializing the repressive politics against marginalized groups or even ignoring the conflicts between squatters and the Senate in the early 1980s. Not at least the pressure from the so-called new social movements also led to the creation of a network of self-help initiatives that was able to institutionalize aspects of these freedoms. In this way, poverty was at once managed while the responsibility was handed to intermediary organizations and NGOs. For this, (little) financial resources were provided. None of the problems were resolved by this policy – a fact also acknowledged by the self-help groups – but it nonetheless created the above-mentioned freedoms (cf. Lang 1994). The support for such projects is now being reduced by the Berlin Senate, making way for a discourse and program of exclusion. If up until reunification poverty was considered primarily as a problem of a social nature and of public order, the poor are now regarded as a threat to safety and security (cf. Cremer-Schäfer 1993). Social exclusion and stigmatization go hand in hand with spatial separation.

The homeless are now persecuted more strongly and systematically expelled from public spaces; subway stations, parks and places near tourist attractions more and more turn into no-go areas for them. In recent years they are not only threatened by the police and shop owners but also increasingly subjected to private policing initiatives. We can observe similar developments for those migrants who live from trading cigarettes, gambling and begging. The hunt on foreigners as pursued by the official government over the past three years additionally exacerbates their living conditions (cf. Amnesty International 1994: 160 ff.).<sup>2</sup>

Senate policy initially focused on the growing number of people who lived in *Wagenburgen* (alternative settlements made of vans, construction and recreational vehicles), mostly in inner city locations. Not only poverty but also the desire for alternative forms of living contributed to this residential form that

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**2** | E.g., the so-called Polish market was an urban space in Kreuzberg, directly adjacent to Potsdamer Platz where – organized mainly by Polish and Turkish traders – clothing, food as well as alcohol and cigarettes were provided cheaply in a judicial grey area (under black market conditions). The Berlin Senate first established a police task force and then, in the summer of 1989, banned the market.

until now has also been marketed by the Senate as a tourist attraction. Massive police operations have so far evicted two of a total of twelve *Wagenburgen* from the inner city (Engelbecken/Kreuzberg; Potsdamer Platz); two have been allocated alternative locations on the edge of the city (cf. Büttner 1995: 24). The media prepared for the evictions with propaganda headlines such as “Slums in Prime Location,” “Centers of Epidemics,” “Hiding Place for Criminals” (tatblatt 1993: 16). In addition, the police clear local drug scenes in some urban spaces with the support of private security services. In this process, a large part of the drug scene at Nollendorfsplatz (Kreuzberg 61) has moved to Kottbusser Tor and Mariannenplatz in the previous postal district Kreuzberg 36.

In a city without a red-light district regulation, prostitutes are also subject to increasing pressures. These attacks are currently centered on the future government district (Tiergarten-Süd). Here, prostitutes ought to disappear, regardless of recent agreements having been reached between residents and prostitutes (Hydra 1994: 3). This stance is, among other arguments, being justified by drug-related prostitution. It is considered as not fitting for the area. Therefore, the then Permanent Secretary of the Senator for the Interior, Armin Jäger, suggested that “fences with locks should be erected” and a more visible [police] presence demonstrated (Berliner Morgenpost, March 26, 1992).

## **“KILLING THEM SOFTLY ...” — OLD AND NEW ACTORS IN BERLIN**

Violence, crime and security are the key vocabulary with which the ruling elites want to keep the “new Berlin” free from potential disturbances or to cleanse it. This approach to the regulation of poverty has changed the structures of the security apparatus and has expanded its scope of duties. Security structure in this context means “security of the interior,” i.e. security organized and financed by the state (police, border police, armed forces, secret service) as well as the private security sector and neighborhood watches and architectural measures designed to establish a particular notion of security in architectural form. Private security includes all private persons and businesses that “provide security services in which they, for payment, try to protect individuals, property and interests from danger” (Nogala 1992: 18).

## **... THE FEDERAL GOVERNMENT**

The federal government, together with the *Treuhand* (the privatization agency for formerly state owned properties in East Germany), is one of the largest ground and property owners in Berlin. With the decision to relocate the parliament and government to Berlin, it was demanded to disempower the districts

of Tiergarten and Mitte and shift decision-making powers for central decisions to the federal government. The "Capital Contract" regulates these interests and has led to a centralization planning authorities (cf. Schulz 1992: 1). The distribution of government buildings across the two districts (in contrast to the closed-off government district in Bonn) will lead to decentralized mobile security zones, for each of which access rights will be granted or denied according to its needs. All planning processes are conducted under the highest security level so that no detailed information can be obtained (cf. Zwoch 1994: 1327).

The debate concerning the scale of the intended exclusion zone around the *Reichstag* is, however, a sham. Police as well as the federal government want, for technical reasons, an exclusion zone as small as possible; vehicle movements between each government building and during visits of foreign government guests will be the deciding factor. The former State Secretary for the Interior, Hans Neusel, already confirmed this by declaring site and building protection as one of the key problems (*die tageszeitung*, August 9, 1991). The Border Police (BGS) controls the local train system (*S-Bahn*), German airports and has also begun to control the long-distance railway stations since October 1992. Beginning in January 1995, Deutsche Bahn AG (German Rail) has established within its "SSS concept" (security, service, cleanliness) an additional and new security service. In Berlin, 426 BGS officers with dogs are on duty against homeless people on *S-Bahn* and long-distance railway stations. In Ahrensfelde, 30 kilometers outside Berlin, the "Security Squadron Federal Government" was established in January 1992 on a former GDR Ministry of State Security property (*Der Tagesspiegel*, January 26, 1992).

This image of a purified Germany ought to find its architectural expression, according to the federal government's will, to an exceptional extent in the old and new capital (cf. Arch+ 1994; Libeskind 1994: 38 ff.). Besides the staging of the mock City Palace, discussed all over the country, the continuing scandal over the New Guard House as the central memorial site of the Federal Republic of Germany, and the concept of the government district and *Reichstag*, the presentation of other central spaces also takes on a new significance. The federal government has gained significant influence following the decision to relocate the capital. We can observe a national setting in scene of the city by the federal government. It finds its expression in the federal armed forces marching underneath the Brandenburg Gate and the renaming of streets. It also establishes new conditions for access while redefining groups that are in disagreement over the ruling forms of use of these spaces as a potential disturbance. All that could damage this staging, while also possibly making visible the consequences of the pursued strategies of modernization, has to be expelled from the urban stage.

### ... BERLIN'S INDUSTRY AND TRADE AGENCIES, THE SENATE

The business owners who form the Working Group City (AG City) in the West center of Berlin (Kurfürstendamm) are, alongside the Chamber of Commerce of Berlin, the economic key agents of a politics of exclusion. With direct reference to Berlin's new role and financial losses due to the visible misery outside their shops, they demand the removal of the poor. The traditional business people of the upper middle classes in Berlin fear the poor as much as they fear the competition of newly arriving businesses. Customers with high spending power are in demand and one needs at least to clampdown on "people who damage their businesses" and who are responsible for "conditions such as in Chicago," according to these retailers – even more so if foreign competition cannot be kept away. This, at least, was the argument made by the chair of the AG City, Peter Hosemann, at a press meeting (Link 1993: 16). With this argument, those who organized within the AG City were able to force the Senator for the Interior to provide every day up to 100 police officers solely for the Kurfürstendamm and to continue a practice of illegal employment, i.e. private security companies working without a license (cf. Remke and Rechenberg 1992). At the same time, the AG City thus defined what undesirable persons are at Kurfürstendamm and its adjacent streets: unemployed young people, gamblers, the poor and the homeless.<sup>3</sup>

Initial conflicts with the police, who were irritated by the fact that numerous people from the pimp scene and involved in prostitution were now employed by private security services, had been resolved. Thanks to their superior contacts to the Senate, the business owners remained dominant. Silently, a coalition of private security services, the Senate for the Interior and the police command has been formed against the city's poor, transcending any democratic concerns. Even threats of disinvestment are part of daily life in the business camp if it sees its profits endangered: there existed considerations to leave the city center, so they said. The "sliding of the city centers" caused by "the nuisance of beggars and impostors in pedestrian precincts" and "questionable events with cheap stalls" were not desired since they "attract a different audience and block the expensive shop windows" (Friedemann 1993: 41).

Another important actor in implementing the new security doctrine is the Berlin public transport company, *Berliner Verkehrsbetriebe* (BVG).<sup>4</sup> Formally it

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**3** | The AG City convenes four meetings a year with representatives of the police, private security, the Senate and the Boroughs as well as staff of, often church-funded, homeless hostels. In these meetings the latter are told where homeless people are not desired.

**4** | As recently as the late-1970s the BVG rejected private security services; now it refers with pride to IHS and its work. From January to September 1992, its "balance of



reports to the Senator for Transport but in matters of maintaining public safety and order it is instructed by the Senator for the Interior. These instructions are given by a longstanding hardliner of Berlin's security policy, Senator for the Interior Dieter Heckelmann. The removal or changing of seats in subway stations already began in 1987 (cf. *die tageszeitung*, October 17, 1987). At this moment, security technology (CCTV cameras and emergency telephones) are installed in order to increase passengers' "feeling of safety" in the subway stations (Richter 1994: 19). In addition, a weekly exchange takes place between BVG, police, border police, Senate for the Interior and the IHS security service (cf. Pütter 1992: 36). Future tasks are allocated accordingly. These meetings are as little subject to (parliamentary) control as there currently exists a legal basis against the recording of personal information by private security (cf. Berliner Datenschutzbeauftragter 1994: 73).

Berlin took up security aspects in the building control of social housing as the first *Bundesland*. Berlin's social service administration is also innovative: under its instruction, the Berlin job center, through the SECU employment agency, offers positions to long-term unemployed who in uniform and equipped with walkie-talkies accompany older people in their shopping and in errands to administration offices and banks (cf. Arbeitsamt II 1994: 1). This initiative occurs alongside numerous other similar ones that intend to provide a (re-)newed function for uniformed presences within urban spaces. The Berlin Senate also intends, for the first time, to deploy the Voluntary Police Service (FPR) aggressively in urban spaces, while until now the FPR only supported the police in site and building protection. Plans exist to deploy the FPR against illegal barbecues in municipal parks and green spaces from summer 1995 onwards. The largest inner-city park, Tiergarten, is primarily frequented by Turkish families and lies right in the middle of the future government district (cf. Heisenkamp 1994: 17).

### ... THE BERLIN POLICE

In total, Germany had 325,460 people employed in the police in 1992. In Berlin, the ratio of police per population is the highest with 32,500 people. "A police officer is responsible for 107 citizens in the German capital [...]. On average, the ratio police to resident is 1:243 across the country" (Höft 1992: 63). The

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activities" reads as follows: "A total of 167,000 operations: 35,300 passengers prevented from travel due to alcohol consumption, 46,000 instructed to leave stations, 25,000 homeless people called to order; 15,653 times 'influence exerted' on noisy young people, 6,439 times patrolled against smokers, 1,637 against musicians, 3,115 against beggars, 1,694 against *ad hoc* trading" (Club der Verdrängten 1994: 5).

total number of police officers in Germany is 225,000. There are now 200,000 private security personnel.

The formation of special task forces to directly target undesirable people was not met with any critical responses. Part of these task forces is the Group AGA (Targeted Surveillance of Foreigners) and the special task force *Blauer Dunst* ("Blue Smoke," primarily active around the Brandenburg Gate) against Polish and Vietnamese cigarette traders (cf. AG Innere Sicherheit 1994: 22). Special units of the Berlin police, border police and the Federal Office for Criminal Investigation (BKA) are dedicated to (foreign) young people who are assumed to be involved in youth gangs (cf. Senatsverwaltung für Inneres 1994: 44 ff.). In addition, many assaults against migrants are evidenced and recorded; the racist character of the Berlin police is by now the subject of publications of the human rights organization Amnesty International. The fact that the Berlin police apparatus, including large parts of its trade union, is infiltrated by members of the far-right party *Die Republikaner* (Republicans) (Krüger and Steinborn 1993: 286) has been the subject of long and inconsequential debates.

So-called Operative Groups (OG), whose range of duties contains the current and future core city center areas, provide support for these developments. Their organizational structure demonstrates the new policing that centers on the targeted extraction of undesired persons from particular spaces. Heckelmann instructed the establishment of the OG City West in July 1993 exclusively to target beggars, the homeless and foreign gamblers (Pütter and Strunk 1994: 27). Corresponding to the investment and tourist centers of the Berlin Senate, so far four OG have been established: OG Alex (Alexanderplatz), OG Potse (Potsdamer Straße), OG City West (Kurfürstendamm), and, in January 1994, OG SO 36 (Kreuzberg). Also, any possible political protest has already been prepared for: the political police of the city, the Berlin State Security, holds a database of 300 people, originally set up for protests against the Olympics and now continued as "Anti-Restructuring File" (Berliner Datenschutzbeauftragter 1994: 70 ff.).

### ... AND PRIVATE SECURITY SERVICES

750 private security services were counted in 1989 all over Germany. In October 1992, the police assumed that 170 legally registered private security services existed in Berlin alone. The sector consists of around ten large providers and numerous small (also illegally operating) businesses (cf. Jürgensen 1994: 14). Until now, no legally regulated training schedules exist.

Private security services currently find themselves in a third wave of expansion, after 1945 and the late 1960s and early 1970s. A fundamentally new aspect in this is the expansion of their duties. Up until now almost all their activities

could be characterized as site, building and personal protection. This is no longer the case. Increasingly they take on tasks that originally resided within the powers controlled by the state, i.e. the police forces: traffic monitoring and the control of public spaces such as subway stations, pedestrian precincts and parks. Private security by now also frequently assists, illegally and in cooperation with the police, in the eviction of squats.<sup>5</sup> Search tasks are requested and already practiced within a legal grey area. Private security services are also usefully deployed in custody against delinquent foreigners or rejected asylum seekers prior to their deportation (cf. *Süddeutsche Zeitung*, August 28, 1993).

New technologies, new management concepts and processes of social polarization have contributed to this third wave of expansion for the private security sector. Its main task, the “abstract prevention of danger,” is exclusively provided to affluent institutions, firms and individuals. In Berlin they are employed by the federal government, the Berlin Senate, as well as private industry. With their deployment in the city’s public transport network they also redefine public space into private space. The consequence of this is that private services define the conditions of access to these, now also privatized, public spaces. The re-orientation of how the city center is architecturally staged – filled to the hilt with shopping malls and precincts and a semi-public space (see “Daimler-City” at Potsdamer Platz or the Friedrichstadtpassagen as one of 911 building sites in Berlin-Mitte) – supports this process of eroding public space.

Large companies such as Veba AG (Raab Karcher Sicherheit), Stinnes AG (Brink’s Schenker GmbH), Pedus AG (Peter Dussmann Sicherheitsdienste), Wisser Group of the textiles and cleaning magnate Claus Wisser (Industrie- und Handelsschutz GmbH), or the Berlin Penz-Garski-Immobilien GmbH with its B.O.S.S. Sicherheitsdienst, stand behind these private security services. Former police officers as well as staff of other security forces are active in these companies. Founded in 1977 and in Berlin active since 1990, the Industrie- und Handelsschutz GmbH (IHS) is, e.g., led by former head of the German Intelligence Service, Heribert Hellenbroich, and is one of the big ones in the sector with 2,500 employees.

## INTERNATIONAL CAPITAL IN BERLIN

If international companies are only mentioned in passing in this discussion of Berlin’s new security regime, this is also due to the fact that most of the larger

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5 | As in Cologne (cf. the 1994 documentary “Unsere Stadt soll sauber werden”), in Potsdam and Berlin (cf. *Der Tagesspiegel*, June 16, 1994; and *Berliner Zeitung*, May 31, 1994, and June 16, 1994).

construction projects are still in the process of being completed.<sup>6</sup> Thus, little actual experience exists to date. The multinationals have so far, similar to the developers, let themselves not be directly drawn into the debates and round tables around security but, instead, act autonomously and directly. Many projects in Berlin are conceptualized so that atriums, covered spaces and underpasses form semi-public spaces that are controlled by private business. This creates the preconditions for businesses themselves to become agents in these new spaces. Numerous examples for this approach exist in the US and are referred to not only by many of the international companies but also by the AG City (cf. Sorkin 1992; Davis 1990).

There exists, however, evidence of some of the big investors in other cities. Sony AG, now with a construction project at Potsdamer Platz, thus threatened a relocation of its headquarter in Cologne in 1988 unless adjacent Roma and Sinti camps were not immediately removed. The campsite, according to the then Sony head, Jack Schmuckli, was "worse than a waste dump" (Tolmein 1988).

Also present in Berlin and also active in real estate is Douglas Holding AG (cosmetics), which recently demanded that city centers had to be managed "in the same way as shopping malls" (Friedemann 1993: 41). Its Chair of the Board also criticized transport policies that were damaging to retail businesses. Douglas Holding AG threatened that the company would withdraw from city centers if the city fathers were not able to keep their city center clean and targeted crime successfully. Similarly, not all shop owners could afford private security and the police devoted more attention to illegal parking than criminals and drug users (*ibid.*). The influence and significance of international capital for aspects of security policies cannot be anticipated at this moment in time. Also for this reason we need to defer analysis of whether the concluding quote from the biggest real estate leader in Berlin describes a line of confrontation that may be applicable to the whole of Berlin at a later stage. We could probably only wish this to be the case for the population of the city, in the face of existing alternatives and despite its inherent contradictions:

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**6 |** I will refrain from listing a myriad of international and national companies that have announced to, or already did, relocate their headquarters or branches to Berlin's city center. An overview is provided by Jones Lang Wotton (1992) and Müller International (1993); for the consequences, see Brake (1992), Eichstädt (1992) and Krätke (1991). Their contributions amount, in terms of security policies, to what the federal SPD politician Jürgen Starnick (1994) formulated as an excuse for the security interests of the federal government as follows: one will discover "for the remainder of the parliamentary and government buildings that they compare with the headquarter of Deutsche Bank like an igloo to a castle."

"Several people are militantly resisting against looming changes in their 'Kiez.' Newly opened shops for more affluent consumers have their window fronts smashed, hated 'yuppies' need to bear the verbal abuse once they have moved into refurbished loft apartments. Those considered to be 'speculators' have to expect the worst. In short: those who invest and live here [in Kreuzberg] have to rely on a certain toleration and should not have any fear of contact vis-à-vis the colorful people of dropouts (and scroungers)" (Plötz 1994: 52).

*Translated by Gesa Helms*

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# Last Exit to Alexanderplatz<sup>1</sup>

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Wolfgang Kil

A single ticket for Berlin's public transport has since January 1, 1995, cost 3.70 DM. If a visitor from the new Baltic states wants to take a single trip by bus or subway, he or she needs to work for about one full day (for the average income) to earn the respective value. For a visitor from closer-by Poland the ratio is slightly better; for Belarussians or Ukrainians it is decidedly worse.

This observation made in passing may appear somewhat random. Yet it denotes something fundamental – a misunderstanding still indulged in by Berlin towards its geographical realities. It desires so much to be a metropolis at the river Spree; the hub for people, commodities and ideas in the center of Europe. Yet the kind of Europe whose functioning center is Berlin does not exist. For too long, the city “has danced on the edge, the abyss of history” (Goldberger 1995). And it will remain an outpost for an unforeseeable length of time: the shopping window of the West is full of glittering promises which cannot be fulfilled to those gazing with longing eyes.

Hence, a particular uncertainty rules the city, a lack of orientation, and for some, a childish defiance. The air is filled with a most noticeable fear; the fear of losing one's “attachment to the West” and to fall behind other metropolises, which, seemingly without any threat, indulge in luxury. West Berliners seem particularly unhappy in their outpost, thus practicing denial particularly strongly. The vested rights of forty years of post-war boom stand more effectively in the way of impartial thinking than what a desire for new worlds could envision. Reasons for this are mainly of a mental kind: the opposing political system has vanished, now the “Third World” begins less than an hour's drive beyond Berlin. And the fear of the unfamiliar takes effect below the surface. One nags as if their own misery never existed: poor road surfaces, grey buildings, and strange people. Long rehearsed, for generations, these defensive reflexes are reliable against all that means East. And in Germany the view that

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1 | Source: Kil, W. (1995) Last Exit Alexanderplatz. *der architekt* 4/1995.

made those infamous car stickers a top seller increasingly takes hold: "Your poverty makes me want to puke."

If there exists a town planning metaphor for the mental prejudices of the West against the East, then it is the Kollhoff Plan for Alexanderplatz. This "help desk of the *Zeitgeist* for the nineties" will remain, even if the construction plans may perhaps at some point yellow in the archives. After all, their chances for realization are not particularly great; in any case they are even smaller than for those many other projects of ambition to which the Berlin Senate has let itself be seduced over recent years. Fundamental misconceptions – of the economy, planning policy and architecture and concept – are to blame.

## **BLACKMAILED FIRST, THEN STOOD UP**

Let's refresh our memory: after two rounds of competition (April and September 1993), the well-known conception of Hans Kollhoff was crowned against the clearly-articulated resistance of East Berlin residents and pushed through by a lobby of investors and the Senate. The investors were the last to blame for the cascade of those eager to impress, first thirteen, then eleven, finally nine 150 meter tall high-rise buildings. The investors only wanted to preserve their interest. A matter of *corporate identity*, each company thus fought for one tower.

Berlin's polity has failed gravely in this whole process. Kollhoff's aesthetically exalted total work of art with a construction phase of twenty years uncovered the absence of any far-sighted development concept for the city as a whole. Far removed from any historical realities as well as without any necessity, the Senator for Urban Development, Volker Hassemer, suddenly proposed the relocation of the core city center areas from the Kurfürstendamm to the eastern edge of the old Berlin city center; supposedly, he fell in love, rather foolishly, with a new "picture postcard image" (*sic!*) of his city. The whole process was, in reality, only conducted in such unbecoming haste because real estate owners were already impatiently straining at the leash. The competition, according to a panicky hope, should have provided the Senate with the means to restrain the particular interests of individual owners and, as far as possible, utilize six billion DM as envisaged construction cost to provide a forward thrust for the "metropolis."

"The whole thing is obviously a political problem. The city's interests, those of the public and the inhabitants vis-à-vis the investors, have to be brought into the debate and to be made to count. The inhabitants have to demand this from their political representatives. The investors need to be obliged also to work for this purpose," appealed Richard Weinstein (1993), one time chief planner of Manhattan and thus an expert in these matters, in the city forum to Berliners and their conscience. Only when the city takes sufficiently strong a position

vis-à-vis private investors will the public interest not suffer. But this was exactly what the city saw and still sees itself incapable of at this moment in time. Like a rejected child, the German capital has to go from door to door, courting attention. It is clearly not the case that it can hardly save itself from interest to move to and settle in the city. On the contrary, emigration losses are taking on dramatic proportions particularly in labor-intensive sectors. The Spree metropolis is a long time away from being an attractive address (for any business card). And, in its desperation, still tries to please even the most fickle developers.

These, one after another, are bailing out from Alexanderplatz: "We are going to start once we have tenants or buyers and not before," announced TRI-GON, project developer for Interhotel, in autumn 1994 (Guttmann 1994). The Treuhand real estate company and Terreno/Roland Ernst have also, for the time being, invested a large amount of money in existing property – which does not look like new buildings are to happen any time soon. [The publishing company] Gruner + Jahr announced that "due to the circumstances" it was considering an alternative location along the Spree riverbanks; the prime site at Alexanderplatz could well wait for any later realization.

Will time let gentle-minded grass grow over the hasty Alex affair? Not at all: German building law creates facts even if no building takes place. Fearing that the fractious administration of the Eastern district of Mitte could unduly delay or even thwart the matter, the Building Senate has taken over the process of approving the land use plan. Thus, the controversial "high-rise tempest" enters building law as a "virtual measure" even without investors and raises real estate values to the extreme.

Even if current (or new) owners had other goals in mind, they could no longer prevent the density legislated for in the Kollhoff plan. An expected floor-space ratio of between nine and eleven enforces the most luxurious expectations of commercialization. Less profitable uses, such as family units or a mix including small businesses, are thus excluded. This speculation, promoted by the Senate in its blinded euphoria for skylines, has led to a "completely rudderless land value structure that precisely prevents those projects that Berlin needs today," specifically also for Alexanderplatz (Eichstädt 1994: 47).

## **AN INSULT TO THOSE ON LOWER INCOMES**

All involved have until now staunchly avoided any discussion over the consequences of such massive valorization of the center city for adjacent residential districts such as Scheunenviertel, Prenzlauer Berg, and Friedrichshain. The always praised Martin Wagner has already cast his interested eyes over these areas: "The living quarters of the poor and the poorest and their decimated purchasing power obstruct city center development and need to be removed by

radically demolishing desolate living quarters" (Wagner 1994: 88). Today, the imaginary skyscrapers at Alex are casting their shadows onto the socially most intact and thus, for this reason alone, most livable mixed neighborhoods of East Berlin. Their gentrification is, at the very least, accepted by the Senate; skeptics even assume it is part of the approach. "The architectural plan is a surprise attack on the residents who live here" (*Der Spiegel* 13/94). As long as they are being denied a discussion over their prospects, the long-time residents, now well aware of the state of danger they find themselves in, have to consider Kollhoff's visions as a call to arms by the Senate against the citizens of the Eastern districts with less purchasing power. There simply exist no strategies to limit any of the foreseeable upheaval in the hinterland of Alexanderplatz.

Western experiences that consider certain forms of "social differentiation" as normal are only one side of the coin. The other is simply called ignorance. Even the gestures of Kollhoff's development idea talks the traitor's talk of cooptation: the group of towers shaped as a sky-high double bowl encircles the public space, screens it against the East and opens out towards the West. An ostentatious barrier is erected towards the hinterland, which has always been one of the special characteristics of the place. All illustrations and models prove that the Western gaze, fully commanding the city since 1990, has broadened its horizon, beyond the historic Friedrichstadt and the City Palace up to the boundary of the *S-Bahn*. There it shall find a resting point in an imposing skyline: last exit for dynamic service providers and the clientele in search for luxury items. Once again prime location for front offices and designer boutiques. Beyond lies "Ulan Bator" (Michael Mönninger<sup>2</sup>) and "Asian emptiness" (Dieter Hoffmann-Axthelm).

## INTEGRATION INSTEAD OF BLOCKADING

"Nonetheless, the prospect isn't bad," writes Harald Bodenschatz (1994: 92), "that a pure valorization strategy with high-cost offices, shopping worlds filled with world-class goods, luxury apartments and expensive cafes will fail. History, the present and the foreseeable future will bring this place down to the ground, as a space of the East." One can only hope that such predictions will be taken seriously before the first facts have been constructed. A failure of the "enterprise Alexanderplatz" at half term would exceed many times over the disaster of Kottbuser Tor (which in the early 1970s became the writing on the

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**2** | "Alexanderplatz appears like a frontier post of Mongolia. Its emptiness and expanse reflect an Eastern economy of scarcity whose only item of luxury was the excessive wasting of space" (*Frankfurter Allgemeine Zeitung*, September 17, 1993).

wall for failed urban development in Berlin Kreuzberg in both social and architectural terms).

To return once again to the earlier mentioned mental barriers: [Alexanderplatz as] the public space of the East! If such a peculiar existence is already assigned with such stubborn insistence, why cannot Alexanderplatz develop its very own quality from such a characteristic? This would be possible if its redevelopment was based on the legitimate expectations of the East city's users; if its significance as a lower order center, as a traditional meeting and distribution point for uncounted everyday movements from Pankow, Weißensee or Lichtenberg, was finally recognized and taken seriously. What if it was developed not as an office location in competition to the West-City but as a hub of fluctuating movements of small-business activities (start-ups) and an urban site of integration (e.g. for immigrants)? That would, however, define the site as a fundamentally different urban concept to Kollhoff's offering. It would need to be explicitly opened out towards the approaching radial roads of Prenzlauer Allee, Greifswalder Straße, Landsberger and Karl-Marx-Allee (as proposed by Kny & Weber whose proposal came third). It would also suggest a far more varied mixing of functions and building typologies; a foundation for a step-by-step growth and permanent change (which was essentially the message of Libeskind's runner-up proposal).

Above all, it would mean refraining from an obsessive (and fairly hopeless) Westernization of the East city, a process increasingly experienced over there as social exclusion ("For whom are these fancy shops?"<sup>3</sup>) or as a cultural insult. In Frankfurt am Main, the wealth and profit orientation in the Western impression of the central city redevelopment, which has so far come only at the expense of marginal minorities, can already only be enforced against large resistance to the "re-ordering" of Kaiserstraße and the areas surrounding the train station. In Berlin, with its specific East-West divide, relevant parts of the population (read: potential voters) are being put under pressure.

The need for an expansion to accommodate the upper class is not as gigantic as expected only four years ago. Berlin is big enough not to close off its city center to those with more modest incomes – and real poverty, increasingly to be expected from the neighboring countries in the East, doesn't allow its access to be refused anyway. The developers at Alexanderplatz understood this earlier than Berlin's politicians and some architects. The hesitant pause of the investors provides the Senate with some time for reconsideration. There is still time to correct its view of the city. Real metropolises allow for an equal footing not only of lifestyles but also grossly different income groups. Berlin's special role in Germany as in Europe can only consist in a balancing of lives and their prac-

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3 | Letter to the editor. *Berliner Zeitung*, May 29, 1993.

tices that are fairly alien to each other. For this, small-scale and flexible urban structures are more productive than triumphant and excluding ones.

At Alexanderplatz, both the historical one and today's, Berlin has a single opportunity (that cannot be repeated) to present itself as an open city, finally also towards the East. This opening, however, has to be desired. Can it be imagined and thought? Hans Kollhoff wasn't able to. Now his proposal sticks to the city's image like the infamous bumper sticker.

*Translated by Gesa Helms*

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# Berlin's Urban Development Discourse

## Symbolic Action and the Articulation of Hegemonic Interests<sup>1</sup>

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*Simone Hain*

With the decline of the industrial sector in the late 1970s and the rise of the service industry as a crucial location factor, a concomitant change in the meaning of urban development has emerged. While the functionalist, modernist “Fordist city” was oriented towards providing the best possible infrastructure, hygiene and mass accommodation, as well as regulating conflicts and ensuring a social equilibrium, postmodernity has entailed a revision of these ideals. The focus now rests on the inventive presentation of soft location factors and the creation of exclusive places. Urban development has been superseded by an approach aimed chiefly at image creation by prioritizing aesthetics and culture in planning processes. As a result of overcompensation, architecture and the art of urban development regained their mystical aura, manifested in the ability to transcend the technical world. Highly valued “star architects” enjoyed favorable media coverage and thereby outshone the technocratic planners and social developers.

The competitive or even hostile relationship between these two disciplines, both of which deal with regional planning and urban design, is no where more evident than in the city of Berlin. It was in this city that the modern welfare system and archetypal regional services were “invented” at the turn of the 19th century and during the Weimar Republic. And it is here that the contemporary neoliberal drive for deregulation is most evident and the accompanying conflicts most pronounced. This is also because post-war reconstruction and urban development in the eastern and western parts of the city occurred in two distinct fashions, each a product of their respective political orders. These two worlds of architecture and urban development are both unique and rich in contrast, but also under threat from a small group of power-hungry actors. They exploit state weaknesses and attack these worlds as anachronistic by deploying

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**1** | Source: Hain. S. (1997) Der Berliner Städtebaudiskurs als symbolisches Handeln und Ausdruck hegemonialer Interessen. *WeltTrends* 17/1997, 103-123.

elaborate ideological arguments and intricate designs. They take issue with the burden of socialist urban development in what used to be East Germany but are equally opposed to the horrors of uncontrolled urban growth following a North American or East Asian pattern and brought about by a globalization in the interest of an educated middle class clientele. Instead, they favor establishing a “home city” inspired by the moderation and order inherent in Prussian classicism while also amalgamating the diversity of Berlin’s cityscape. However, the characterless and monstrous architecture of Potsdamer Platz and the cold, exclusive architecture that defines the redeveloped Friedrichstraße, indicate that such flight to the comforting past is impossible. This is so because today’s roving global capital has developed its own dynamics.

The case of Berlin is particularly important. Here the effects of contemporary global structural change are felt by two political cultures and numerous alternative and innovative milieus, while the to-ing and fro-ing of migrants, most of whom hail from what was known as the “second world,” is also influenced. As such, this can be viewed as an open-ended experiment with an eastern and western dimension. Since last year fierce debate has ensued regarding competing actors and their visions of the city’s future. More specifically, issues of interpretative authority, creative authority but also credit-worthiness were debated, although predominantly within the confines of the city itself. There is a vision that authority over the city shall be transferred from the state back to its autonomous citizens. It remains to be seen how this can be achieved, who should be granted authority under these conditions and whether such bearers of authority could “normalize” their own status without state backing. Taken together these questions form an Adriadne’s Thread linking intricate discourses and heated debates within Berlin’s political and public arenas.

## **STRATEGY No 1: CATCH-UP MODERNIZATION AS A “NEW, BOLD AND BRUTAL WILHELMINIAN PERIOD”**

Until the fall of the Berlin Wall the city remained in de-facto quarantine. For forty years it held the unique status of a city on the front lines of the Cold War. Moreover, contradictory reconstruction in both parts of the city after the total destruction incurred during the war, and economic marginalization until the end of the Cold War, added to the uniqueness. It all ended with the joyous surprise of November 9, 1989. Before any city-wide planning law could be established, several vast estates in the City’s possession, both within and beyond its confines, were sold off. “Like trump cards,” to use one of Bourdieu’s metaphors, economic actors initially possessed all the advantages. As developers lacked a clear sense of how much profit to expect from urban construction this allowed for wildly optimistic speculation. Some fantasized about Berlin becom-



ing a hub between east and west, a science metropolis, a stage for the Olympic Games, or a center for innovation in an era of communication technology.

When it was decided that Berlin would regain capital city status, developers began making grand calculations regarding future demand for living, hotel and businesses spaces. The city administration became caught up in this wave of euphoria and soon an overriding development concept was established: *catch-up modernization in East Berlin*.

"Compared to the western part East Berlin lags some 25 years behind in developmental terms. Figures given indicate that between 10 and 15 million square meters of gross office space exist. These are dimensions that can barely be comprehended. I like referring to Otto Steidle's Gruner & Jahr center in Hamburg to provide a comparison in terms of scale. It offers 100 000 square meters of gross floor space. Anyone can imagine what it would mean to build a complex 60 to 150 times this size. Entire office cities are needed in Berlin. This is a task of historical dimensions. The infrastructural deficit in the former GDR is too vast to publish if expressed in terms of investments or money and when compared to Western Germany" (Stimmann 1992).

Such speculation on nominal growth pressured politicians at the time and led to the collapse of a widely popular paradigm of the 1980s that championed "caution and urban repair." The then coalition government of the Social Democrats and Greens was, it was claimed, acting "contrary to economic developments" (Hans Stimmann) and represented an anachronistic "alliance of bureaucracy and biotope" (Hans Kollhoff). Its reluctance to embrace the large-scale initiatives of capital to drive urban construction was quickly attacked as "provincialism" (Ezard Reuter). Ultimately this caused its defeat in the subsequent elections. The victors in turn formed a grand coalition and abandoned all rhetoric of social and environmental protectionism. They expressly welcomed the global players to the city and encouraged their involvement. "Have we not waited forty years for this? [...] We cannot tame this tiger. Instead, we must ride him. We must not suppress but exploit these forces" (Hassemer 1991). Hanno Klein, the city administration's investor liaison, even went so far as to wish for a new "bold and brutal Wilhelminian period." On June 12, 1991, he was killed by a letter bomb, an as yet unsolved crime.

The necessary political debate on how the "normality of the Berlin Republic" (Jürgen Habermas) should find expression in the capital's architecture was postponed, as talk of the end of history, different utopias and overarching theories dominated. Initiatives to encourage dialogue and mutual understanding were overshadowed by the attention-grabbing political symbolism of events such as the veiling of the *Reichstag* by Christo, as well as the myriad of competitions and panel discussions. For seven years one competition and design event followed the next, each growing in size. The extent to which architecture

became spectacle and a site for exhibitions increased, too. Fabulous skylines, hip deconstructions, large-scale statues and monuments, picturesque or rational facades, super-charged notions of progress, populist motives and high-tech modernisms all came together and increased the euphoria further still.

Today observers are conscious of the fact that these architectural plans had a mesmerizing effect on the economy, politics and public opinion. The state managers of former GDR property and temporary owners thereof (*Treuhandanstalt*) had expected the value of their estates to rise exponentially. The state was deeply involved in gambling on real estate. Such grand architectural visions led to an exorbitant jump in the prices of inner city property (2,000 Euros/m<sup>2</sup>). It remains this expensive to today, despite the economic recession. The architectural imagery popular at the time raised expectations of high returns, and exclusively targeted large investors, while systematically disadvantaging local developers.

In setting the scene for Berlin's grandly fictitious future, the city's architects and administrators could draw upon the symbolic capital they had accumulated over time. Thus, there was a history of international construction fairs in the West (Interbau, IBA), as well as a tradition of state-run urban development in the East. This allowed contemporary architects and administrators to make use of the channels and techniques of communication that had proven helpful in the past. Moreover, competences acquired in the context of urban construction and refurbishment in West Berlin proved to be an asset. Urban construction in the context of the city's 750 year anniversary had been showcased and treated in a festival-like manner. After reunification this trend continued and aesthetic matters came to dominate the political agenda. Hereby a crop of planners and decision-makers gained substantial power, aided by their media prowess, and utilized it to ultimately monopolize legitimate symbolic power.

After a brief and open transition and orientation period, several local architects cemented the good reputations they had acquired for themselves over the past two decades. They did this by canonizing and categorizing their particular architectural style as *Neue Berlinische Architektur* (cf. Burg 1994). This also kept architectural newcomers at bay. The hegemonic architects of *Neue Berlinische Architektur* then continued to impact on, and ultimately conquer, the economic and political realm. They suggested prototype constructions to economic magnates in the context of feasibility studies and preliminary building applications that would secure approval. Given that many of these architects also worked for the state as consultants, jury members and evaluators, they simultaneously approved the suggestions they themselves had made. The urban and geographic structure of Berlin was thus determined by a select group of administrators and designers, who combined the metropolitan fantasies of the young architects with the hopes of the older architects who wished for a revived Prussian classicism (cf. Sewing 1994). This bastardization of New

York style skylines and the physical manifestation of minor Prussian virtues can be observed today at Potsdamer Platz and along the Friedrichstraße.

## **AN ASPIC-PRESERVED, PRUSSIAN-STYLE MANHATTAN PROJECT**

The lead designers of Berlin's new cityscape were driven by a number of factors. Among these were their shared understanding of urbanity, quality of life and social prestige, as well as the notion that Berlin should possess uniquely defining characteristics to bolster its global competitiveness. Consequently, they decided to "invent a tradition" (Eric Hobsbawm) of a particular architectural style, irrespective of the actual architectural plurality evident in the city. Thus it was claimed that contemporary construction in the city should conform to the architectural tradition of Berlin classicism. In a boldly meta-historical move the city's identity was linked to the (late) Prussian period. This strategy, regulated and approved by the building authorities, produced a cityscape that differed greatly from the low-density development that defined either sides of the city after the war. Instead, this new cityscape resembled a parade ground consisting of blocks and avenues. The resulting buildings were arranged sparsely and in orderly uniformity, with very little variation amongst them. None of the influential actors of the time were willing to abandon North American or East Asian models and to reject the notion that the 'European city' possesses a distinct urbanity.

At the same time, the city's construction policy was split over two rival administrative departments (Construction and Accommodation, Transportation and Urban Development/Environmental Protection) pursuing competing party interests. Volker Hassemer, member of the CDU and Senator for Urban Development at the time, established an internationally renowned commission tasked with discussing urban construction in Berlin and consulting political actors. This he did to "ride" the proverbial economic "tiger" and to acquire the requisite legitimacy. During his time in office this commission, the so-called *Stadtforum* (Kleger et al. 1996), undertook cooperative simulations and kept interested specialists informed on latest developments. Hans Stimmann, who was a member of the building authority that was led by the SPD, favored a different approach to Hassemer. Stimmann considered himself so powerful that he preferred to liaise directly with investors and architects and to make unilateral decisions on how to proceed in matters of urban development. While Hassemer at least listened to the critics of the *Stadtforum*, Stimmann instead favored the frequent *Architekturgespräche* that were more akin to presentations of selected projects rather than genuine debates. Participants had pre-defined roles, while Hassemer presented his design concepts from an elevated podium, talking down onto the auditorium.

Stimmann, supported by a cartel of architects, succeeded in restricting the height of newly built constructions and thereby at least ensured that the city's overall structure remained largely intact. Nonetheless, weaker neighborhoods were negatively impacted upon. In the district of Mitte alone over eighty registered and potentially historic buildings were knocked down, as their utilization of space was deemed inefficient.<sup>2</sup> From now on, future constructions would also have several floors below ground. Evidently, the regulatory framework established through the *Berlinische Architektur* served to minimize rampantly chaotic urban development by limiting the maximum eaves height and by controlling design issues and facade compositions. Together, these regulations formed a certain *genius loci*. Consequently, compositions of an aperspective or ambiguous nature, which are the epitome of enlightened, postmodern aesthetics, were shunned and strictly forbidden. Likewise, situationist and "green" conceptions were rejected. Stimmann, who served as the Senator for the building authority and considered himself the "aesthetic force of the political administration," set out to devise a new doctrine for urban construction, for which he was supported by his staff of sixty colleagues. The following quote from Stimmann expresses his new thinking well:

"I favor corporeal architecture and a Berlin built of stone [...]. My architecture must follow in the footsteps of Gilly, Schinkel, Messel, Mies van der Rohe, Taut and Kleihues [...]. The first requirement is that construction must proceed in block formation. Where ever I can influence architecture I want to advocate the following traits: order, Prussian aesthetics, sparse coloration, use of stone, a tendency towards straight rather than curvy compositions" (Stimmann 1993).

Sceptical and radical critics, brought together by the "dispute over Berlin's architecture," decried the building authority's provisions as conservative, reactionary and "neo-teutonic" (Klotz 1994; Kähler 1995). Beyond such ideological criticism, discursive and formal analyses indicate that matters of complexity reduction, tendencies to exclusivity and a fixation with surfaces could be observed in the context of the new construction doctrine. Moreover, this doctrine also comprised an outdated 19<sup>th</sup> century notion that systematically interlinked identity and aesthetics, art and life, as well as imagination, will and deed.

Even in its earliest days the *Neue Berlinische Architektur* was a fundamentally homogenous and exclusive architectural semantics that drew on the virtues

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**2 |** There are three prominent examples of this assault on Berlin's historical buildings. The interior of the Wilhelmenian luxury hotel Esplanade was entirely discarded apart from the breakfast chamber, which, for the price of DM 2 million, was relocated to the Sony complex at Potsdamer Platz to suit modern-day hospitality requirements. Likewise, the former Zollernhof on Unter den Linden had to make room for the ZDF (TV) headquarters, and the Rosmarinblock on Friedrichstraße was also knocked down.

of idealism, order and the suppression of emotions. Initially, this universal code was applied only to a selection of construction projects that held a symbolic status. By 1996, however, a non-legally binding *master plan*<sup>3</sup> was published that sought homogenization on a grand scale in the “power center of Europe’s most powerful nation” (Der Spiegel, December 2, 1996). Its aim was to unify territory and society, geographic and social space, aesthetics and life, as well as urban development and social policy.

## STRATEGY NO 2: “CONQUERING THE CITY CENTER”

Berlin’s grandly ambitious “Manhattan Project” has crashed somewhere within the Bermuda triangle of severe fiscal deficits, vast amounts of unused office space, endless construction sites and Berlin’s postponed rise to capital city status. Huge, outsized building complexes and stand-alone super projects are the sobering outcome of this excessive speculation. They can be found throughout the city, detached from and foreign to their surroundings like stranded ocean liners. Contrary to expectations, nearby building lots failed to quickly attract further development and so these cold, Prussian island-like buildings, referred to by some as the “investors refrigerators,” contribute to a certain peripheralization of the city center. A revived Wilhelmian period in Berlin has effectively failed to materialize. While the city center resembles an unfinished and vacant investment disaster, desperados, gamblers and the needy congregate at the city’s “dangerous locations” (police terminology).

Partially compelled and partly supported by the waning interest of capital, the *Berliner Freundeskreis für Architektur* went all out (SenSadt 1997) with an urban development concept that was referred to as “critical to economic growth” (Hoffmann-Axthelm 1997). Meanwhile, Dieter Hoffmann-Axthelm (referred to as the “grey eminence of theory and history” by Gerwin Zohlen) was promoted to chief planner by direct assignment from Hanns Stimmann, who himself now acted as State Secretary within the urban development department.

Hoffmann-Axthelm had published a report on the city center as early as 1991 in which he proposed its division into small allotted areas. This idea, however, was never implemented as both the municipality and the federal state supervisors of former GDR property (*Treuhandanstalt*) instead sold entire blocks

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**3 |** Since its publication in 1996 it was in actually labelled *Planwerk Innenstadt*. Prior to publication, contributors and members of the opposition had however begun calling it the master plan (which is how the English language bible refers to the process of creation) in the context of confidential consultations. A paradigm shift can be observed from the principle of a target-oriented incrementalism towards a, albeit moderate, “godfather-like” totality.

of land. Even then Hoffmann-Axthelm recognized the sign of the times and urged for large-scale planning intervention:

"This concerns the type of city that is needed in the future. The calm time in which cities gradually grew at their own pace has passed; dark clouds now loom on the horizon. Options on the table for Postdamer Platz are applicable to all wealthy, industrial cities today" (Hoffmann-Axthelm 1996: 88).

Now that the city's grandiose development project is turning into a failure and the dominance of East Berlin's cultural community in the historical center prevails, Hoffmann-Axthelm is the man of the hour. Although he is neither an architect, nor an urban developer, the middle class clientele agrees with his credo. This broadly knowledgeable theologian acquired a solid reputation from years of stubbornly contesting building policies and engaging extensively in publishing. He is a symbol of a generation of bourgeois critics of modernization that were radicalized in the context of 1968. They instantly associate the construction of terraced housing with "social fascism," modern development plans with concentration camps, and assume that the omnipresent "big brother" is watching in the open cityscape.

In 1996 Hoffmann-Axthelm, who was now an official representative of Berlin's government, developed a radical redevelopment and settlement project for the eastern part of the inner city, one supported by Bernd Albers (and a team of planners focusing on the western part). This project was instantly hailed by some journalists as the initiation of an "epochal turning point" (Hartung 1996: 9). Hoffmann-Axthelm provided a plan for "how the West Berliners" could now finally "conquer the city's historical center," after having been prevented from doing so for forty years. The return to dividing predominately public property into allotments was undertaken to attract private investment into the city, as open spaces and transit routes were closely integrated in contemporary urban developments. It was intended that such public property would then be sold to small developers at a political price far below market value, upon which they would erect buildings in line with the traditional historical style. The wide streets so typical for the center of East Berlin, the recreational areas and playgrounds that were designated as green areas, and the cold-wind corridors so important to the inner-city climate, were all cleared for construction. This used up almost all undeveloped plots and greatly increased the density of the inner-city. The modern, post-war development structure that had defined the city was to be countered with spatial typologies and attacked with aesthetic notions derived from the 19<sup>th</sup> century. Existing, modern structures would thereby become functionally overshadowed, reduced in their substance and also subjected to more traffic.

Hoffmann-Axthelm's ideal city of the future is one that has returned to pre-industrial times. According to his nuanced anti-statist approach, the rein-

troduction of small allotments should function as a fundamental regulatory and procedural framework, aimed at addressing urban challenges by means of a desirable mixture and overlap, through a revived public space, and through decentralization and a local economy. Hoffmann-Axthelm advanced a program that he hailed as republican, emancipatory and supportive of economically autonomous individuals. This, he believed, would counter the continuous and implicit subjugation of citizens through the modern nanny-state and also contest the anonymity induced through large-scale societal structures. He sought to establish a modern Wilhelmenian era, in which middle-class entrepreneurs would develop the empty allotments of the modern city and thereby create a certain form of sustainable self-rule. This overlapping of social science and urban development theory assumes that the evolution of cities in the 20<sup>th</sup> century occurred in accordance with certain societal theories, rather than objective, economic circumstances. This approach thus presumes that modern and totalitarian planning ideologies must merely be deconstructed in order to ensure a return of liberalism.

Hoffmann-Axthelm's refers to Hackesche Höfe in Berlin as a beacon project through which the middle-class has regained its status and fulfilled its interests. He attests that here the lost physical sensation of confinement and synaesthesia are to be found, along with a reduction of stimuli, a functional mix and a down-to-earthness. This probably satisfied his self-image as a *flâneur*, aesthete and member of the intelligentsia. A similar improvement of a single building block in suburban Spandau, meanwhile, has produced a radical change in the surrounding neighborhood. In the space of just two years, the average income of these residents almost doubled, while the number of children living there halved. When confronted with these developments, Hoffmann-Axthelm retorts that "this is the sacrifice that simply must be made" for such beautiful surroundings.

The critics of modernization are rightfully credited with being the first to think about how the pictorial aspect of architecture and the overall appearance of the cityscape impacts upon city life generally. Yet, these concerns have now grown wildly out of proportion. Picturesque, old town scenery does not provide the necessary space for contemporary everyday life to unfold freely. The historical roots of a certain neighborhood are reduced to nothing more than a theatrical backdrop for tourists to congregate, where pastimes are pursued and state receptions held. Rabbits in the back yard, saddle manufacturers, shabby but cheap flats – all these would get just as thoroughly erased as in the orderly and loosely developed city of modern times. The post-modern city is under the lethal pressure of globally roving capital that seeks to acquire immobile riches. The demise of the city is akin to that of the polis of the "Athens Charter" and similarly exhibits a simplistic functionality and social interaction. Externally, the post-modern city upholds the appearance of urbanity. It returns to block

structures and boasts special facades at the “prime addresses.” It was hoped that the middle classes, which had profited so handsomely from the redistribution of public land, would contribute to a “reforestation of urban bare spots” (Michael Mönninger) and a recreation of the “characterless and debris-ridden spaces” (Klaus Hartung) in their role as new settlers within the city. It was anticipated that this would create an appropriate setting for the “arrival of 80 million citizens at their new capital.” This plan however requires the long overdue move to firmly establish the political *primacy of the city center*, as it has become obvious meanwhile that “urban tradition and urban democracy belong together, and that the neglect of some leads to the neglect of others” (Hartung 1996: 9).

This notion of reforestation in a social class sense defined the second phase of urban development in Berlin and was referred to as *sustainable* (rather than *catch-up*) modernization. While the new middle classes and the developers are regarded as pioneers of civil society, the original inhabitants of the city center in turn are dismissed as “implants of the socialist state,” as “people with red party membership books” or as lachrymose losers (Dieter Hoffmann-Axthelm).

## URBANITY OR CITOYEN?

This power shift also manifests itself indirectly in the use of ecological terminology in official declarations. Before, such language was practically ridiculed. Similarly, those who had championed a reduction in pace and the preservation of existing urban structures, and who had been sidelined for these views during the euphoria of unification, now gained an audience. From 1993 onwards and against the backdrop of growing urban segregation and gentrification, their views proved accurate yet again. Crucially, the “critical wetlands” comprised of the “typical Berlin mixture of university environment and taz readership milieu” (Klaus Hartung) regained some influence, after having been previously marginalized and dismissed as provincial. Citizen participation increased greatly in the context of the “City fora from below” (*Stadtforum von unten*) in which Alexanderplatz and housing policies were debated, particularly so because many citizens from East Berlin joined these gatherings.

After the 1995 elections, Berlin’s household troubles were gradually made public. From now on, this financial crisis had to be considered when ever city planners met.

“The root cause of this financial problem is the multilayered structural-change that has occurred. To solve this problem, the public household must be restructured. How can the state’s share in spending be reduced? And how can tax revenues and expenditures be reformed without fundamentally harming social security and undermining societal harmony?” (Huber 1996: 18).



The solution to this debt problem and money shortage was and continues to be seen primarily in the wholesale privatization of state-owned capital and property, more specifically in the selling of public estates, businesses and services. Naturally, a pleasantly framed justification for this was at hand: "The term privatization is somewhat misleading, given that this represents a structural-change through which state ownership is transferred into a public ownership backed by civil law" (ibid.). Hereby, a crisis-induced necessity was eloquently rephrased and reframed as a virtue. Thus, the forced privatization of public property was couched in the language of a return to civil law.

Finally, it was elaborately suggested with the *Planwerk Innenstadt* that practically anyone (with a monthly income of roughly 5,000 DM) could in fact purchase a generous piece of land in the city center, albeit within the "tight time frame" prior to the arrival of the bureaucrats from Bonn and the next wave of foreign investments. The private property model was heralded as a form of "emancipation for those living in rented accommodation." The inventors of this innovative product deliberately targeted the double-income families in East Berlin, as well as wealthy residents of West Berlin gambling on the stock exchange. Thus, the accompanying rhetoric of the *Planwerk* shimmered in all the colors of the rainbow and should have drowned out any form of critique in its overdose of pleasantly vague ideology.

The opposition was not, however, lulled into sleep. Upon learning of plans to orchestrate large-scale demolitions in East Berlin, protest movements emerged that utilized both the *tageszeitung* and the district newspaper for the inner city *Scheinschlag* for their discussions.<sup>4</sup> This urban movement demanded specific opportunities for participation, rather than a city built in such a way that it "fulfills every citizen's desire for an appropriate, dignified environment" (Klaus Hartung), as the media campaign had proclaimed. Yet as soon as this opposition had voiced its criticism it was dismissed as a bunch of badly tempered losers: "Only if the *Planwerk* can overcome the self-righteous grassroots activists can the citizens of Berlin hope to settle amongst them in the unified capital" (Hartung 1996: 13).

This grassroots challenge, however, was reflected in other, wider debates elsewhere. The heated dispute in the great chamber of the State Council Building (*Staatsratsgebäude*) on November 29, 1996 was symptomatic of this overall debate. Therein, the existing cityscape was cherished as a product of foregone violence and destruction, as well as of mistakes and learning processes. It was regarded as characteristic and a reminder of forty years of global division and as such of aesthetic and historical value. It was deemed so valuable in fact that it outweighs Berlin's mythical past as a city built of stone. Moreover, it was

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4 | Besides a series of articles on the issue of public space, *taz* and *Scheinschlag* together published an additional 12 page dossier on December 19, 1996, entitled "stadt.plan.Mitte."

argued that one must not wait for new, reputable urban citizens to settle, as a newly politicized citizenship already established itself publicly in the context of the watershed year 1989: "If the former state property of the GDR should be returned after 1989 to the citizens of the city, why not return this very property to those citizens who were involved in 1989?"<sup>5</sup>

The conflict of interests stems from the demands of two functionalist milieus, both of which claim to be treated as this new citizenry. After the self-referential notion "urban citizenship," coined by the *Planwerk*, was openly booed, a substitute was created. This urbanite, who resembles a kind of cosmopolitan cyborg, and sports a mobile phone and a recumbent bike, has been declared the new focal point of urban city life. Contrary to this notion of citizenship, a rather different, real, socially heterogeneous notion is put forward. It is an understanding of urban citizenship that is universally egalitarian from birth (Hannah Arendt), and adheres to the principle of the citizen who proclaims freedom, equality and fraternity (Baule 1996: 98 f.).<sup>6</sup>

A small crop of no more than ten actors continue to dominate this discourse, simply because they hold key positions. This great dispute has meanwhile involved several thousand citizens and numerous experts also. Critical media coverage, however, remains an exception. Public critics of the *Planwerk* are *either ignored or explicitly branded* demagogues or lachrymose Ossis (East Germans)<sup>7</sup> (cf. Hartung 1997; Hoffmann-Axthelm 1997). Civil society actors with an alternative mentality in turn demand greater fairness and equal treatment within the political realm. They increasingly refer to human rights discourses and speak for all those who are marginalized, suppressed and needy (cf. Rada 1997). Crucially, these civil society actors reject the formalistic planning policies and ritualized processes of participatory procedures. Opposition to these programs of urban segregation and disintegration will, to refer yet again to Pierre Bourdieu, depend fundamentally upon how objective such contestation can become.

*Translated by "Truly Translated," together with Ben Restle*

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5 | Question from a student in the audience of the *Stadtforum* on November 29, 1996.

6 | See, for example, Bernward Baule: "The citizens of the GDR took to the streets with all those demands of freedom mentioned. They themselves fought for their individual freedom and their own, free democracy in a peaceful revolution. This remains their actual, mundane achievement."

7 | Dieter Hoffmann-Axthelm: "The East Berliners do not consider themselves responsible – they have found someone else to blame for the changing circumstances. They can sit on the sidelines and complain. They do not carry responsibility for this capitalism."

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## Berlin In-between

In the second half of the 1990s Berlin experienced a rather problematic phase of “inbetweenness.” As the decade passed, it became more and more clear that neither the high-flying visions of the ruling elites nor the fears of those opposed were about to become reality. There was no sign that Berlin would any time soon catch up with global metropolises like London or New York, and even the relocation of Germany’s government was not yet to show much impact on the everyday life of the city. What Berlin did in fact experience was a rather intensive deindustrialization, subsequent impoverishment, and increasing real estate speculation in the housing sector. At the same time, the traditional politics of “careful urban renewal” (*behutsame Stadterneuerung*) came under increasing pressure on various fronts: the decrease in federal subsidies for the former “showcase of the West” led to ongoing budget-cuts and a salami-slicing of public support for renewal programs and other social and welfare projects. The restitution of properties to the original owners in formerly socialist East Berlin catalyzed a change of ownership structures and bulldozed the way for unprecedented real estate speculation inside the historic neighborhoods within the *S-Bahn* circle. The collapse of (formerly highly subsidized) labor-intensive industries led to the layoff of thousands of low skilled, and often immigrant, workers. As a result, unemployment was on the increase. This was especially to be felt in inner-city neighborhoods such as Kreuzberg, Neukölln, Wedding, and Tiergarten, the traditional home for low-income families and immigrants.

Taken together, all these developments created a sense of rupture for many Berlin-based intellectuals, politicians, and social movements. It became more and more clear that Berlin did not change the way it was expected to, yet the contours of what was about to come were not clear either. Owing to the fact that many of the developments described above happened at the same time and with great speed, Berlin’s geography changed very rapidly, and so it is little wonder that Berlin’s urbanists were rather at odds in their interpretations. From the many discussions of these times, we consider three topics particularly noteworthy to highlight:

The first relates to discussions about an “Easternization” of Berlin. Both before and even after the fall of the wall the elites did not really show much interest in what was happening east of the river Oder and, in this context, even the strongly aspired

role as a hub of an East-West exchange was principally understood as Berlin being the foremost outpost of the West rather than an “Eastern” city. In the second half of the 1990s this view was successively undermined by the arrival of new immigrants from Eastern Europe as well as by growing tensions between East and West Germans in many public debates. “Easternization” became real. In a manifesto-like manner this is reflected in Uwe Rada’s book “Berliner Barbaren” (Berlin’s Barbarians), reporting on observations and encounters with East European immigrants as well as the reaction of Berlin’s society. Working for the daily newspaper *die tageszeitung*, Uwe Rada developed a nuanced sense for the changes underway and his books “Berliner Barbaren” and “Hauptstadt der Verdrängung” (Capital of displacement but also of psychological repression) had a formative influence on the way Berlin was perceived by many intellectuals of that time.

The second crucial discussion, characteristic of this period, is the observation of new lines of socio-spatial division in Berlin. This became a central topic in Berlin around 1997 when the *Häußermann-Studie*, a report written by one of the leading German urban sociologists, pointed towards the growing concentration of poverty in various inner city areas. That this sort of study was commissioned by the Social Democrat-led Urban Development Administration was already a sign of the increasing cracks within the ruling coalition government as it practically poached in the preserve of the CDU-led Building and Construction Administration. While the interpretation of the causes for these developments was highly contested among scientists (Borst and Krätke wrote a whole book attacking Häußermann’s analysis, see Borst and Krätke 2000), the report was proactively taken up by public policies and eventually led to a new funding program, called “Soziale Stadt” [social city], at the federal level. Impoverishment and segregation, clearly not on the map for debate in the early 1990s, now became central paradigms for the majority of discussions about Berlin.

Moreover, new forms of segregation were coming into being via the introduction of new modes of governance that took a leaf from traditional Fordist arrangements while replacing these with more area-based, cross-sectoral and partnership-oriented approaches. Social mix, to be achieved by stimulating an in-migration, became a central *topos* for an increasing number of politicians. “Urbanites with mobiles and laptops,” to quote an infamous description made by the then chief planner of Berlin’s Building Administration, Hans Stimmann, were successively seen as a sort of savior against segregation and a broad number of policy initiatives were developed to lure them in.

This chapter documents these paradoxical developments with two texts. The first one is from a monograph written by Hartmut Häußermann and Andreas Kapphan in the wake of the 1997 study. It demonstrates Häußermann’s argument about the new lines of division in Berlin. The second text has been written by Margit Mayer, a political scientist with a strong focus on urban research in both Germany and the U.S. In her paper she picks up on the same issue yet with a focus on policy responses and

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argues that the new policies developed in Berlin successively follow the path of neo-liberal approaches developed in the U.S.

A third, and somewhat related, contested field of urbanist debates emerged around gentrification and urban renewal in Prenzlauer Berg, a historic neighborhood in East Berlin. Here, the situation was also somewhat difficult to grasp. Being “Europe’s largest urban renewal area,” the neighborhood experienced sustained hype as a trendy area in the second half of the 1990s. This cultural hype was accompanied by an influx of West German middle-class households as well as intensive upgrading and speculation. At the same time, much of the borough was formally declared an “urban renewal area” and Berlin’s renewal policy at that time was explicitly designed to slow down rent increases and prevent the displacement of low-income tenants. In this situation, many experts felt seriously provoked when two (then) young scholars made the claim that Prenzlauer Berg was about to be gentrified. The outcome was heated and confrontational discussions. Bernt and Holm’s text “Exploring the substance and style of gentrification,” first published in an international edited volume comparing gentrification across the globe, as well as chapter 6 and 7 of the book by Häußermann and Kapphann (both documented here) give a flavor of these academic and political controversies.





# The Barbarian East<sup>1</sup>

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Uwe Rada

Forget about the “new Berlin:” Even ten years after reunification, Berlin is still a “frontier city.”

## I.

German Chancellor Gerhard Schröder has a sense for images. When he looks out of the window of his provisional office in the State Council Building, he recently said, he sees before him the “monstrous” and “ugly” Palace of the Republic. Motivated by concerns that a Chancellor in a Brioni suit might not be *en vogue* on Berlin’s Schlossplatz, he called in an interview with the *Zeit* newspaper for Berlin’s Royal Palace to be rebuilt “just because it looks nice.”

Images, although not nice ones, were also the focus of a Harvard University congress on Berlin in February 1998. Right at the start of that gathering in Cambridge, Massachusetts, one of the event’s organizers asked those charged with planning the new capital, “What is Berlin’s place in Europe?” John Czaplicka, who asked that question, did not even wait for an answer. He was of the opinion that the often cited image of Berlin as a hub connecting East and West applied to Berlin only insofar as the formerly divided city had become a preferred place of refuge for eastern European migrants. “Berlin is a frontier city and shows it,” said Czaplicka. “The only question is, how far Berlin is prepared to accept its reality as an immigrant city” (*die tageszeitung*, February 14, 1998).

What is Berlin’s place in Europe? What does the “new Berlin” of Hackescher Markt and Schröder’s sense of nice images have to do with the functional aesthetics of the Palace of the Republic and its former use? Does Berlin truly accept its reality as frontier city, as John Czaplicka demanded at the renowned University of Harvard?

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**1** | Source: Rada, U. (2000) Der barbarische Osten. In Scharenberg, A. (ed.) *Berlin: Global City oder Konkursmasse? Eine Zwischenbilanz zehn Jahre nach dem Mauerfall*. Karl Dietz Verlag, Berlin, 129-133.

## II.

“Berlin: open city” was the friendly-sounding title of an exhibition organized by the marketing company *Partner für Berlin* throughout the city environment in Berlin last year. The developments in the city, its growing together and its renewal were the visiting cards with which the “new Berlin” presented itself. However, anyone searching for an explanation of Berlin’s openness in a volume of essays published at the same time was disappointed (cf. Architektenkammer Berlin 1999). The essays speak more about the “return to the capital” (Michael Mönninger) or the “new trade worlds” (Gerwin Zohlen). Berlin’s panoramas, it seems, are open only to the West, or to the past. The future of the city, however, is in the wild, barbarian East.

Travellers to distant Kazakhstan or the even more easterly Vietnam report even now that those who are keen to come here have long been familiar with the car marts of Berlin’s suburbs or the latest news from Rhinstraße in Marzahn. And so Berlin really does have a global image, only not the one aspired to after the fall of the wall. The “most westerly city in the East and the most easterly city in the West” failed to become the metropolis of hope but instead became the metropolis of the hopeful – a disputed space between “civil society” hunkered down in its island of prosperity and the “cheerful barbarism” of those determined to make a new start (Matthias Greffrath). Berlin has once again become a special border area, but this time on a European scale, and the border runs right through the middle of Schlossplatz – between the Palace of the Republic, which has become a symbol of the “ugliness of the East,” and the State Council Building, the center of power of the “nice new center,” provisionally, at least.

## III.

“The second discovery of the East will begin when we have got rid of the image that we have had of it,” writes the Eastern Europe expert Karl Schlögel. “It will begin when we start to remember faces which are new and to perceive a tone of expression which we have not been prepared to listen to before – or which we had forgotten” (Schlögel 1995). As a citizen of the former West Berlin, Schlögel, who now teaches Eastern European history at the European University Viadrina in Frankfurt/Oder, has the honor of having made early reference to Berlin’s geographical location. As early as May 1989, Schlögel wrote that the Senate in West Berlin had repeatedly referred to Berlin as a city at the center of Europe. “Now that people have realized that Berlin really is halfway between Bonn and Warsaw, they are astonished” (Schlögel 1991). The tone of expression, the new languages that can be heard on public transport in the city are still ignored today, however, despite the fact that the government has moved here

and the political center has shifted to the East. Berlin's *glitterati* may still dine in the fine restaurant Paris-Moskau, lodged between the government quarter and the Moabit prison, but as they leave the restaurant perched on the edge of urban civilization, they can't get away fast enough. The closer the East comes, the more they long for the West.

#### IV.

The West – that means more than fashion and glamour, communes and individual self-expression. The West also means having a sense of *la distinction* (Pierre Bourdieu). Ludovica Scarpa, formerly a committed campaigner against urban poverty, now sees these “distinctions” as the “right to be unequal,” as a form of defence against the agenda of the Modern Age; Scarpa believes this so-called egalitarianism is a direct road to fascism (Berliner Zeitung, March 6, 1999). What this longing for the West expresses, however, is not only a desire to avoid the dark sides of fashion and glamour, culture and commerce. It is also a desire to blur the fine distinctions, going even so far as to express these differences in the city in a spatial way – a Berlin of “citadels” which is visibly distinguishable from the Berlin of the “ghettos.”

If we are going to have segregation and urban flight, polarization and Americanization, then let's do it properly at least, with surveillance cameras, police presence and zero tolerance. Those who aim to arrive in the center of society want to have achieved that position before things start to get really uncomfortable. But what if things are already uncomfortable? What if there are not enough people to defend the citadels? What if even Potsdamer Platz is invaded by the bargain hunters? If one Charlottenburg neighborhood after another deteriorates into a “problem area” and Hackescher Markt appears strangely small and pompous when viewed from Fischerinsel? Didn't time already make the first judgements long ago? Since the last direct flight from Berlin to New York was cancelled years ago due to lack of demand in business class, the only remaining non-stop transcontinental flights connect the city directly with Pyongyang and Ulan Bator. Berlin's Ostbahnhof in Friedrichshain, like Lichtenberg station which is currently under reconstruction, has become an intersection of Eastern European Berlin. This is where the trains from Moskva, Tomsk, Kraków or Warszawa arrive. Berlin is simply a different kind of boomtown from New York City or swinging London. Another professor at the Viadrina University made it clear to Berliners recently once again. There can really be no talk of a service metropolis, writes the geographer Stefan Krätke in his latest book on Berlin. It is not the strategically important sectors, such as financial services, which dominate the German capital, but the “bad jobs.” Thus, Berlin is more of a servants' metropolis than a service metropolis or, as Krätke writes, it is

the “capital of cleaners” (Krätke and Borst 2000). There are still enough politicians, however, who refuse to accept that Berlin is not a global city in waiting but rather a cleared out industrial center, a metropolis at best for new gold diggers and fortune hunters, more a saloon than a salon, a crazy mixture of Detroit and Lodz, a city bordering the East, indeed.

## V.

What do the Große Stern in Tiergarten and the lay-bys on the roads to the east of the river Oder have in common? Both here and there, on either side of the border, Polish teenagers offer their services, washing windcreens for a few pennies, entering the lowest level of the service economy. Further up the ladder, industrial cleaners, many of them also from Poland, wipe the windows of the new office towers. At the same time, Polish housewives, working illegally of course, dust the books of those who spend their days in the newspaper offices or the corridors of power, dreaming of Berlin’s future.

What Helmut Höge (1997) calls the “Berlin economy” is described by Karl Schlögel (1999) as the Eastern European “ant trade.” And Berlin, the German capital, is one of the centers of this survival economy, just like Warsaw, Bucharest and Istanbul. “The spaces,” says Schlögel, “develop along the fracture lines, ignoring the old line of division” (ibid.). He says places which were once far away have shifted into the local vicinity, and what used to be familiar has suddenly become difficult to access. It can be put another way, loosely quoting Scarpa, the unequal are insisting on their rights. The time of cosy comfort is really over.

When the majority of people are robbed of the opportunity to participate in the prosperity of society, warned the sociologist Hartmut Häußermann (1996) some time ago, that society is living on the verge of civil war. Karl Schlögel adds to this American experience of the crisis of the city a further example from Eastern Europe. “The whole of Eastern Europe has successfully completed a process which the West still faces: to engage with the dangers of an interim period, when an existing situation has become unviable, while a new situation has not yet become established; to live in a provisional state without feeling like it is the end of the world; not to dissolve into panic and hysteria when the normalities of a way of life cease to be normal” (Schlögel 1999).

## VI.

What is normal and what is not? While intellectuals like Karl Schlögel, despite their efforts to “discover the East,” while in fact actually hoping for a renaissance of the West there, and hankering after a “return of the cities,” the “return

of the urban citizen,” see a glimmer of hope in any accumulation of capital, even if it is in the hands of the mafia, others are more honest. For such people, the geographical location of Berlin as a frontier city is not an opportunity, but a threat. Consciously or unconsciously anticipating Samuel Huntington’s theory of the *clash of civilizations*, some politicians – even among the Social Democrats and Greens – tried, after the fall of the wall, to bind visa-free travel between Poland and Berlin to the travellers’ ability to prove they had hard currency. Leaping into the breach, that is the Eastern breach, is one way of dealing with Berlin’s crisis; the other consists of erecting of new borders not only along the river Oder but also in Berlin – “invisible frontiers,” as the Bremen-based political scientist, Lothar Probst (1995), describes them. What these two reactions have in common is the desire to deny the negative sides of Berlin’s position as a frontier city. That, at least, has a long, a very long tradition. Even the Ancient Greeks excluded as “barbarians” those who said only “bar bar bar,” that is, who had no mastery of the civilized language of their host country.<sup>2</sup> Little has changed in the Berlin of the 21<sup>st</sup> century. In the age of Parma ham and ciabatta, anyone who prefers solyanka, curry wurst or doner kebab can be nothing other than an attack on good taste. Seen this way, Berlin is nothing other than the “capital of the barbarians,” and Hackescher Markt is no more than a little Gaulish village peopled by gourmet partisans.

What is normal and what is not? While Harvard intellectuals like John Czaplicka come up with sayings about Berlin like “survival not revival” (*die tag-eszeitung*, February 14, 1998) or critics of Huntington such as Jean-Christoph Rufin (1994) see in the tenet of the clash of cultures an attempt to build a new *limes*, the new barbarians have long since reached Berlin. They define themselves as “barbarians” such as in a youth club in Schöneberg, call themselves *Kanak Attak* such as in Kreuzberg, or play with the concept of the “barbarian from the East,” like the Russian-Jewish columnist Wladimir Kaminer. This begs the question, why shouldn’t they be part of the “new Berlin,” too? Why shouldn’t the German capital, a frontier city by definition, be allowed to be barbarian? What is the difference between someone like Peter Dussmann, with his bookshop chains in Eastern Europe, and a Polish cleaning lady looking for work here? And would it really be the downfall of the “Berlin Republic” if the reconstructed Berlin Royal Palace, so championed by the Chancellor, were eventually to house a common-or-garden DIY store?

*Translated by David Shaw and Regina Webs*

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**2** | Allow me to mention here the intention of Berlin’s naturalization authorities to make the ability to understand a German newspaper article a prerequisite for citizenship.

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# Berlin: From Divided to Fragmented City?

## Socio-Spatial Changes Since 1990

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*Hartmut Häußermann and Andreas Kapphan*

### THE NEW CRISIS OF THE HOUSING ESTATES<sup>1</sup>

The prefabricated housing territories of the GDR on the eastern periphery of the city have not undergone the rapid depreciation predicted by many experts in the year 1990. Investments in renovation, modernization, and improvement in the residential environment, all financed with public funds, have contributed to this. Nonetheless, mobility processes are occurring that are putting at least some of these areas into a very difficult situation.

The housing estates brought about by social housing construction in West Berlin were neighborhoods of the German middle class in the 1980s. The number of foreigners was low, and poor sections of the population lived not so much in the housing estates but in the inner city areas full of older buildings. This changed in the 1990s; through the greater supply of housing in Berlin and the surrounding area, which was strongly subsidized by tax breaks, middle class households had new options. If they had to pay an inappropriate occupancy charge as a result of their income level, then rent plus utilities reached a level that was hardly below that of nearby new buildings. There was a great incentive to give up social housing in a high-rise housing estate and move to a small house with a yard a few kilometers outside of the city.

In the following, we present the social and structural development of the social housing stock in West Berlin and the large estates of East Berlin in the 1990s using in each case a concrete example for illustrative purposes.

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**1** | Source: Chapter 6 of Häußermann, H. and Kapphan, A. (1990) *Berlin: von der geteilten zur gespaltenen Stadt? Sozialräumlicher Wandel seit 1990*. Leske + Budrich, Opladen.

## THE SOCIAL HOUSING ESTATES IN WEST BERLIN

In the western part of the city, ca. 30 percent of the entire housing stock is comprised of social housing. A considerable part of it lies in territories in which large settlements were built in the 1960s and 1970s. Gropiusstadt, Märkisches Viertel, and Falkenhagener Feld are the largest. The largest share of social housing stock in 1997 in West Berlin was thus located in the boroughs of Neukölln, Reinickendorf, Spandau, and Tempelhof. 55.4 percent of social housing was concentrated there, and constituted almost 40 percent of all housing in these boroughs (cf. IfS/S.T.E.R.N. 1998 and Figure 1).

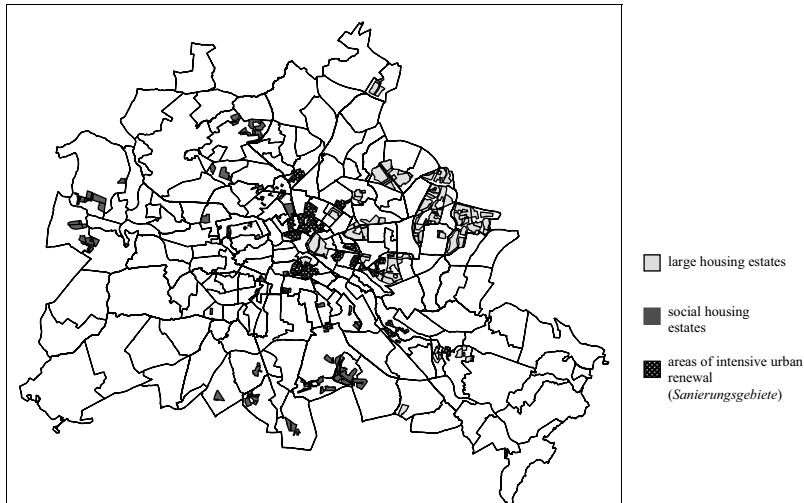
Rent control and occupancy rights of the boroughs are tied to the duration of so-called social obligations of property ownership. The housing construction activity of pre-1990 West Berlin is reflected in the spatial distribution of these obligations. The newer the housing stock, the more frequently is it located on the periphery of the city, since new housing construction spread outward. The newest of these are also the largest settlements. That could give rise to a special problematic in the future: if the social housing stock as a whole decreases in the city, but the demand for state subsidizing of needy households remains the same or increases again, a concentration of low-income and poor households in the housing of the outer boroughs will be the result.

This is already the situation in some social housing complexes in the inner city today. The Senate Administration for Construction, Housing, and Transportation examined the large estates and social housing complexes for “problematic” developments in November of 1997. Turnover, the percentage of foreigners, and the percentage of inappropriate occupants served as the base data. Characteristics for a problematic situation were defined as high turnover (greater than 9 percent in 1996), a high percentage of foreigners (greater than 26 percent), as well as a low percentage of inappropriate occupants (less than 19 or 15 percent, with an income 50 percent over the income limit). A growing percentage of foreigners is an indicator that such areas are hardly in demand anymore among the German population.

Of the 34 housing complexes examined, 11 were designated as “problematic residential areas.” These areas lie – with the exception of the housing complex on Schlängenbader Straße, which has its own problematic as a result of its bizarre architecture and situation directly over a freeway – in the West Berlin inner city, in which surroundings areas of older buildings also exhibit problematic developments. Three areas had, according to the Senate Administration, had “reached the critical threshold” as a result of high turnover: Wedding-Brunnenstraße, Kreuzberg-Mehringplatz, and Wilmersdorf-Schlängenbader Straße. The settlements described as “problematic living areas” comprise over 18 percent of the dwellings in the 34 areas examined. All other settlements, whose development is regarded as less problematic or unproblematic, lie outside of the West Berlin inner city.



*Figure 1: Large Complex Housing Estates, Social Housing Complexes, and Urban Renewal Areas*



Source: Senatsverwaltung für Bauen und Wohnen, November 20, 1997

The spatial concentration of social housing is a current and future problem, since the current high turnover is leading to social segregation. In moves to Berlin, foreign immigrants predominate. Since, in the last few years, this group of people was comprised exclusively of family migrants, refugees, or immigrants who obtain German citizenship, they have the right to a priority certificate to publicly-subsidized housing. So, they have the right to move into empty social housing; in most cases, the rent is then covered by state benefit payments. For households with a low enough income to remain entitled to social housing, but not low enough to receive dole payments, rent in social housing is too expensive. To put it bluntly: these households are not poor enough to live in such an expensive apartment.

For every household with a higher income that vacates such an apartment, a poor household takes its place – and these poor households are increasingly of foreign origin. In many cases, this brings friction and conflicts, since the living habits of “foreigners” and natives strongly differ (cf. Neuhöfer 1997; GdW 1998), which, in badly soundproofed high-rises, is an unsolvable problem. Attempts to attend to the transformation of such neighborhoods by community intervention have been hitherto too weak and often too late. The flight of higher-income groups and the influx of households with low incomes have thus led to a social situation that has further increased the selective fluctuation. That public housing could become such a “problem asset” is due to a systemic contradiction rooted in planning decisions of the 1960s and 1970s and political decisions of the 1980s.

*Table 1: Selected Data on Problematic Residential Areas of Social Housing Construction in West Berlin*

Borough	Area name	Social housing apartments	Fluctuation 1996 in %	Number of foreigners, in %	Payers of a false occupancy charge	
					total in %	More than 50% over the income limit in %
Schöneberg	Bülowsstraße	2,489	9.7	40.3	15.1	10.3
Kreuzberg	Neues Kreuzberger Zentrum (NKZ)	295	10.5	54.1	9.9	7.5
Neukölln	Rollbergsiedlung	2,023	9.9	26.9	16.1	11.8
Tiergarten	Heinrich Zille-Siedlung	858	9.6	26.0	14.2	10.3
Wedding	Wollankstraße	402	10.7	37.8	18.9	11.3
Wilmerisdorf	Schlangenhader Straße	1,182	9.6	13.7	21.8	13.7
Wedding	Brunnenstraße	4,595	10.3	22.4	20.9	15.6
Kreuzberg	Wassertorplatz	2,975	8.8	29.7	14.9	11.6
Kreuzberg	Mariannenplatz	1,030	7.9	46.3	12.3	8.4
Schöneberg	WAK Sozialpalast	514	9.1	51.2	8.8	8.0
Kreuzberg	Mehringplatz	1,026	9.9	25.0	20.8	17.9

Source: Senatsverwaltung für Bauen und Wohnen, November 20, 1997

The “false subsidizing” of households that, during the period of residency in social housing, actually experienced income growth and thus were above the income limit, is a problem that has long been well-known. However, as long as the public budgets were willing and able to extend the supply of publicly subsidized housing with further subsidies, it was tolerated. This bonus is revoked, however, when these households have to pay a higher rent (“inappropriate occupancy charge”) as a result of their higher income – to which they then react by moving away. The low income limits valid for the right to social housing

turn it into “welfare housing,” a refuge for the poor and immigrants without means. The spatial concentration of social housing and its occupation primarily by households with problems clashes with the intention of the welfare state to provide integrative accommodation to those who cannot provide for themselves on the “free” housing market. “Housing for marginal social groups,” which social housing is increasingly turning into at the national level due to political decisions, should have never been built in such a spatially concentrated manner consisting of such large estates.

## LARGE ESTATES ON THE PERIPHERY OF EAST BERLIN

In many respects, the problems and developmental tendencies in the large estates of East Berlin are similar to those of social housing in West Berlin. Nonetheless, there are numerous differences resulting from the specific history of these estates and that lead in part to different situations.

In these areas, which are primarily managed by municipal non-profit housing associations (*Wohnungsbaugesellschaften*), the population was relatively young in 1989 and reflected the socialist middle class of skilled laborers and salaried employees. For the last few years, the population numbers – in contrast to the trend in other areas of the outer boroughs – are declining. The flight of households with an above-average income (often families with children) to the suburbs and surrounding hinterlands is unanimously lamented by the housing associations. Due to the occupancy requirements of the housing stock – 45 percent of the apartments of the housing associations and 30 percent of the co-op apartments are rented according to the social housing criteria – primarily poor households move into the vacant apartments. The losses due to moving out have been enormous in the large estates, they amount to 1 percent of the population each year, and the share of employed among those moving away is considerably higher than among those moving in. Data concerning the migratory movements of the employed show an extremely strong selectivity of population exchange which will alter the character of the large estates in the east considerably in the future.

Although the apartment houses in the large estates were first built in the 1980s, considerable “shortcomings” became noticeable after the *Wende*. The necessity of renovating the buildings – above all else the hot water supplies and thermal insulation, in order to reduce the extremely high utilities costs – and of targeted measures to improve the living environment was quickly recognized by the housing associations, the federal government, and the state of Berlin. Corresponding measures were supported with considerable additional subsidies. These stabilized the situation in the large estates, but could not prevent the flight of households with higher incomes. The rent levels of the large estates

appear to be too high to compete with privately financed housing construction. Furthermore, the quality of the buildings, the low number of rooms, the size of the apartments, and well as the standardized layouts also induce households with higher incomes to move away (cf. Hannemann 1996 and 2000).

An additional problem arose due to the method used to rent out apartments in the tower-block areas, which led to a homogeneous age structure among residents. In the newly provided areas, it was primarily young families that were admitted, who then aged together. As a consequence, this led to a situation where first daycare centers were scarce, then elementary schools, and then youth centers. Social infrastructure facilities are now empty and there is no money to convert them, maintain them, or tear them down.

A constant problem is the mono-functional structure of the large estates. Usually the tower blocks were situated near large industrial areas, but in the areas themselves there are few jobs. Complete big cities in terms of their number of residents, the large estates have functionally remained “bedroom communities.” In socialist society, this might have been less problematic, since all the residents – women, men, and children – all either went to work, school, or daycare during the day and only experienced their neighborhood after quitting time. Time on the weekends was passed in “datschas,” weekend cottages located in the countryside (GdW 1998: 181). With a decline in the employment of women and increasing unemployment, however, the large estates are increasingly inadequate to the needs of their residents.

## **MARZAHN-NORTH/WEST**

The borough of Marzahn was founded in 1979; between 1976 and 1989, 65,000 apartments were industrially constructed. Construction work in northern Marzahn was first concluded at the end of the 1980s. The overwhelming majority of buildings have 11 stories. In 1991, Marzahn had 166,000 residents; in 1998 the number was only 142,000. With a 22 percent decline in the number of residents, northern Marzahn lost a large part of its population: in 1998 only 29,000 people still lived there. In the GDR, the apartments were rented out primarily to young families. Today, 40 percent of the population is still under 25 years of age and only 5 percent have reached retirement age. The moving away of households with above-average incomes to other boroughs and the surrounding hinterlands has led since 1994 to a considerable change in the population structure. Those moving away have made a decision in preference of larger apartments or for their own homes; the small-size of apartments was the most important reason for the termination of rental contracts (IfS 1995: 1997).

Vacancy in Marzahn has in the meantime become considerable; the official number given by the housing association amounted to 6 percent, while the

press has even given the figure of 12 percent. Large apartments have proven to be especially difficult to rent out. Ethnic German repatriates from Eastern Europe have been moving into these since 1993, since they have registered a considerable demand in this segment. Their share of the population in northern Marzahn is at about 15 percent, while the share of foreigners – primarily Vietnamese – is merely 3.6 percent. In the case of the ethnic German repatriates, they constitute a group that hardly has access to jobs in the current Berlin labor market. Furthermore, their poor knowledge of German is usually a hindrance to become more highly-qualified workers. The domestic population considers them to be “Russians” and shun them.

In Marzahn, there is a strong radical right-wing youth scene, which repeatedly clashes primarily with ethnic German repatriates. This leads to a situation where repatriate youths are able to construct few points of contact with other youths in the district. Cultural and ethnic segregation are strengthened in this conflict situation and lead to ethnically segregated youth milieus. The lack of leisure facilities and cultural opportunities also makes the situation more acute, since fights for dominance occur over the few existing facilities (cf. Dorsch et al. 2000).

The entire borough has an unemployment rate that is average for Berlin (Sept. 1999: 15.4 percent), but a low concentration of those receiving welfare (Dec. 1998: 6.1 percent, Dec. 1997: 5.6 percent). Northern Marzahn, however, exhibits a higher unemployment rate and a higher share of welfare recipients, which was about 8.7 percent in 1997 (cf. AG SPAS 1999: 22). It is primarily children, youths, and young adults who are affected by poverty. As a result of the high rate of participation in the labor market by women, most families dispose of at least one wage-based income despite the high rate of unemployment, and hence potentially of unemployment insurance, so that it is not necessary to receive lower-tier entitlements like welfare. However, in the last few years, the number of welfare recipients in Marzahn-North/West has strongly risen, which is a sign of how precarious the social situation is. Since the *Wende*, the total number of employed people in the borough has declined, and since 1994, the number of employed people with a mid-level income has declined – signs of an income polarization in the borough.

The public presentation of social problems has led to the borough being defended against “unjust accusations.” Nonetheless, at the end of 1998, in Marzahn-North/West – as the only territory within the borough – a *Quartiersmanagement*<sup>2</sup> was established in order to prevent the growth of social problems in the area. The biggest problem is the flight of middle- and higher- income groups, whereas those moving in tend to be those pushed out of the inner city

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**2** | Translator's note: roughly “neighborhood management,” institutions intended to aid planning and development in “problem” neighborhoods.

by urban renewal and ethnic German repatriates. Up until now, this selective population exchange could be understood as the “normalization” of the social structure of a large public housing estate. When exactly the population exchange has come to an end and a new stabilization has been reached cannot, however, be determined at the moment. The example of the West Berlin large housing estates shows rather that new segregation processes can also set in when a quarter had already seemed to have already found a social profile over a long period time.

These examples have shown how sensitively large housing estates react to changes in demographic development as well as fluctuations in the labor and real estate markets. In the competition for tenants, the large estates seem to be losing out to the new construction areas of the 1990s; they supply the potential tenants of the newer settlements. In both examples – in Marzahn-North and in the Gropiusstadt – immigrants provide consumer demand for apartments to a considerable extent, but their presence is considered to be a social deterioration by the current residents. The structural conditions of social housing construction – occupancy requirements and false occupancy charges – strengthen this process.

## **IS THE INNER CITY BECOMING A SLUM?<sup>3</sup>**

In Chapter 5, using the example of migration between different parts of the city, we demonstrated that particularly drastic changes for the inner city are becoming apparent. In almost all inner city areas, the frequency of moves is very high and a large part of the population has been living in their respective neighborhoods for a short period of time. Above all, families and those with jobs have been moving to the surrounding hinterlands or the suburbs. A concentration of a poor (domestic and foreign) population was ascertained, expressed in a high rate of unemployment and a higher concentration of welfare dependency. As a result of a strong fluctuation in the population, long-term and sustainable social relationships that could stabilize the situation from inside are difficult to construct. Unstable family situations also lead to conflicts having effects in the neighborhood.

In the following, we will examine more closely the current tendencies of development for two areas of the inner city. Our example for the Western part of the city will be the northern part of Neukölln, and our example from the Eastern part will be the older building area of Prenzlauer Berg.

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**3** | Source: Chapter 7 of Häußermann, H. and Kapphann, A. (1990) *Berlin: von der geteilten zur gespaltenen Stadt? Sozialräumlicher Wandel seit 1990*. Leske + Budrich, Opladen.

## THE WESTERN INNER CITY

The inner city areas of West Berlin exhibit a large share of young people, single households, and immigrants. Only a few seniors live in the older buildings; however, their numbers will increase considerably in the next 20 years, especially due to the aging of immigrant residents. The western inner city boroughs don't just have the highest percentages of workers and unemployed, but also the largest percentage of low-wage workers. There are also many student households.

The moving away of German families from the western part of the city is always regarded as cause for alarm, since it is considered a reaction to manifestations of dilapidation in public space and to the situation in the daycare centers and schools, where the overwhelming majority of children have not grown up speaking the German language (cf. IfS/S.T.E.R.N. 1998). Since in the case of such high mobility there are less employed people among those moving into the inner city neighborhoods, the concentration of beneficiaries of state transfer payments and poor people increases steadily. In the case of those with an income, a rise in the percentage of those belonging to the lowest-income segment is evident. In Chapter 4, table 10, we already showed that low-income groups are increasing strongly primarily in the boroughs of Wedding and Tiergarten, but also in Neukölln (see the excerpts in the table below). For Kreuzberg, in contrast, there are signs that the segment of those with mid-level incomes is rising. Income polarization concomitant with a decline in employment is a consequence of the flight of the middle-class from inner city neighborhoods.

*Table 2: Income Groups as a Percentage of all Employed Individuals in the West Berlin Inner City Boroughs 1991-1998*

Borough	1991		1994		1998	
	below 1,400 DM	over 3,000 DM	below 1,400 DM	over 3,000 DM	below 1,400 DM	over 3,000 DM
Kreuzberg	23.6	11.7	23.6	21.2	21.7	20.7
Tiergarten	18.3	20.8	17.2	24.6	22.9	25.6
Wedding	17.5	14.6	15.9	17.6	20.5	18.8
Neukölln	18.5	21.6	17.0	23.8	18.0	25.3

Source: Statistisches Landesamt Berlin: Mikrozensus

In general, public spaces in these areas are more highly populated by children and youth groups than in other parts of the city. At first glance, that might appear to be a positive fact, especially when one keeps in mind that in the other parts of the city which are home to a more well-off population, there are hardly any children or youths to be seen in public. However, their presence in public space is often simply the consequence of apartments that are too small, as well as a lack of apprenticeship and work opportunities. Particularly with regard to youths, unemployment leads to a lack of orientation and perspective, and thus because a cause of anti-social behavior. Consequently, rival youth groups frequently clash with one another in public spaces, carry out power struggles, and create a menacing and frightening climate through their behavior. This is intensified by violent conflicts and the display of the willingness to resort to violence by corresponding insignia: particularly favored in this regard are attack dogs. Illegal activities, such as drug dealing and prostitution, also contribute to this negative image (Landeskommission Berlin gegen Gewalt 2000).

Open areas and playgrounds pose a particular problem, as conflicts often arise here, since they are frequented due to a lack of other places. Children no longer feel safe at playgrounds, since they are harassed by alcoholics and threatened by attack dogs. Frequently, youth welfare offices report that – just imagine! – children themselves request opportunities and spaces to play under protective supervision. Often, however, it is the deterioration of public space in general that repels and disturbs residents. Bulky refuse is thrown away in courtyards, sidewalks, and open spaces, without anybody feeling responsible for it (cf. IfS/S.T.E.R.N. 1998). Along with roaming or loitering groups of youth, who obviously don't have any steady work or attend school, a feeling of alienation arises that gives rise to the desire to move away and further drives the spiral of cumulative causes.

The share of foreigners exceeds 30 percent in almost all selected statistical areas belonging to the inner city; among foreign children and youths the figure is almost 50 percent. Alongside the precarious social situation and selective emigration, these problem-ridden areas also exhibit the lowest electoral participation in West Berlin. Alongside the foreign residents, 40 percent of the eligible voters among Germans did not participate in the elections to the Berlin City Parliament in 1999. Over half of adult residents thus had either no interest or no right to participate in the election of their political representatives. Formal political institutions are dramatically losing their legitimacy, and hence their integrative potential, in these neighborhoods.



## NORTHERN NEUKÖLLN

In the northern part of the borough of Neukölln, there is an extensive area of older buildings, directly abutting the borough of Kreuzberg. Half of Neukölln's 300,000 residents live in this northern part, which consists of a concentration of Wilhelminian-era buildings of one- and two-room apartments as well as two social housing quarters: the so-called High Deck and the Rollberg housing estate. The share of foreigners in northern Neukölln is somewhat more than 30 percent. Since the 1970s, immigrants who had previously been concentrated in the urban renewal area of Kreuzberg moved into Neukölln in increasing numbers. Since 36.5 percent of its employed population is comprised of workers, in 1998 Neukölln was, after Wedding, the borough with the highest share of working-class residents. In the 1990s, the number of employed declined by 22 percent, and it is not at all certain whether the trend of layoffs and job losses has reached an end. It was primarily poorly-qualified and unskilled workers who became unemployed, among them many immigrants. Many youths have not even found an entry into working life. The unemployment rate has risen dramatically: if it was still 16.6 percent in 1995, by 1999 it had risen to 24 percent. Neukölln also exhibits above average figures for youth unemployment and unemployment among foreigners, with the northern part of the borough being the most affected.

In terms of the concentration of dole recipients, there are only figures for the entire borough. In the year 1991, 8.5 percent of Neukölln's residents received social assistance (*Sozialhilfe*), the lowest-tier welfare benefit available in Germany. In 1998 the figure had already reached 13.5 percent. This particularly strong increase of transfer payment recipients can be explained by the traditionally high number of industrial workers who have lost their jobs. The number of foreigners among dole recipients is very high at 36 percent (foreigners are 20 percent of the total number of residents), and as indicated, these live primarily in the northern part of the borough. Children and youths are particularly affected: one-third of welfare recipients are under 18 years of age, and they are primarily the children of single parents. In every sixth household that receives welfare (16.5 percent), there is only one parent. The share of two-parent families receiving welfare is lower, at 13.8 percent. The overwhelming majority of welfare recipients is comprised of single men (30 percent) and single women (24 percent), an indication of a lack of support networks. It is precisely in the northern part of the borough that the at-risk groups for welfare are concentrated: single-parents, foreigners, and singles households. There, between 25 and 30 percent of residents receive benefits from the social assistance office.

In the following, we will more closely examine the example of the area around Reuterplatz, which is far to the north, bordering Kreuzberg. The area

around Reuterplatz corresponds to a large extent to other parts of northern Neukölln; the percentage of foreigners and unemployed is even a little bit lower. Between 1974 and 1982, the number of foreigners increased from 3,000 to 6,500, remained stable until the end of the 1980s, and rose again in the 1990s to 10,000. The increase in the number of foreigners in this area is due to the fact that German households are increasingly moving out while non-Germans are taking their place.

The number of those employed in Neukölln is declining drastically, purchasing power is declining and the supply of goods has become limited to supermarkets with discount offers and greengroceries that are often run by foreigners. Vacancies of apartments and retail spaces have increased. In the year 1998, 16.4 percent of the labor force was unemployed, corresponding to a rate of around 30 percent of the working population. 31.5 percent of the unemployed are foreigners, which corresponds roughly to the number of foreigners. That means that unemployment in the area is not high because there are so many foreigners, but rather that a high number of foreigners in the area accompanies a high share of poor and unemployed Germans. Over a third of those unemployed (35 percent) have been unemployed for more than year (cf. Dorsch et al. 2000).

The flight of middle-class families since 1994 contributes to the highly problematic social situation in the north of Neukölln. Between 1994 and 1997, 5.8 percent of the population on balance has left the area, above all employed people with children. The share of employed people among those moving in is considerably lower than among those moving away. One family with two children that we interviewed explained their decision for a new apartment in the following words: "smaller, more expensive, but it's in Wilmersdorf," referring thus to the social milieu of the neighborhood. The fluctuations in northern Neukölln amounted to 18 percent each year in the years 1994-1997. That means that over 1/6th of residents move away each year, with the tendency increasing in that period of time. Employed people and families with small children are the groups that more commonly leave the area, the loss among the population amounting to 4.4 and 5.0 percent respectively. This selective flight, alongside increasing unemployment among the remaining population, is a growing problem in northern Neukölln.

The supply of apartments appears to have become unattractive for apartment-seekers in the 1990s. The neighborhood was not able to compete with offers in the suburbs and the hinterlands. Many of the apartments are small, and renovation and modernization measures were only first significantly implemented in the 1990s. According to the census of 1987, the area around Reuterplatz has 18,800 apartments in mostly five-story buildings. 3/5ths of the buildings were constructed before the Second World War. After that, social housing construction filled the holes left by the aerial bombing during the war.

The average size of the apartments is 2.2 rooms or 62 square meters. In 1987, 63 percent of households were single-person households; the average size of a household was 1.6 people. The share of larger households is extremely small, and already in 1987 the majority was foreign families.

Due to the bad condition of the buildings, part of the area was designated a renewal area at the beginning of the 1990s. In 1992 a preparatory investigation was conducted that ascertained considerable deficits in the degree of amenities in the apartments, infrastructure services, and green spaces. However, only a few "postage-stamp sized" properties were marked for renovation. Since the 1990s, public means for renewal areas have been flowing almost exclusively to the eastern half of Berlin. Even today, rents in Neukölln are considered particularly low, so that primarily those households move in that cannot afford a more expensive dwelling in another borough. However, not all apartments find new tenants, and even in northern Neukölln vacancy is high. Around 10 percent of apartments are empty.

In Neukölln, resignation reigns and conflicts are increasing. In the summer of 2000, the social assistance council publicly discussed the possibility of hiring private security services to protect employees of the social welfare office from physical attacks by its clientele. Electoral participation is low, and declined between the elections of 1995 to 1999 to under 60 percent. Many residents feel let down by politics and don't see any chance of influencing things by means of elections. The northern part of Neukölln is also counted among the areas with a relatively high percentage of voters of radical right-wing political parties.

## THE EASTERN INNER CITY QUARTERS

The development in the inner city areas with older buildings of East Berlin is similar in some respects to the developments in the West Berlin inner city. Fluctuation is high and the population is changing rapidly. The composition of the population is however still socially heterogeneous; nonetheless, migration is more selective than in the inner city areas of West Berlin.

In the inner city areas of East Berlin, migratory movements are also characterized by the flight of families with children, a negative balance among the employed, as well as an increasing influx of immigrants. The transformation in the system of distributing apartments and the beginning structural renovation of older buildings has had effects upon social composition. On the one hand, only some residents can or are willing to pay the higher rents for the modernized apartments. On the other hand, a considerable number of dwellings in dire need of renovation have not been reached by investment funds for modernization due to lack of clarity concerning ownership or inactive absen-

tee owners. The accompanying unsatisfactory condition of daycare centers and schools, general defects of social infrastructure, as well as a scarcity of useable open spaces is occasion above all for families with children to move away.

Upgrading and decline occur simultaneously and spatially close to one another. The speed of the transformation process is unusual. The old-building areas of East Berlin exhibit a very high and increasing volume of migratory movement; in 1997 there were already between 400 and 500 arrival and departure registrations for every 1000 residents, versus 300 to 350 in the year 1994. That means that in an apartment building in the year 1997 every fourth or fifth apartment had a new occupant. In a few areas, 40 percent of the residents first moved into the borough in the years between 1993 and 1997.

Flight from the area leads to a sharp decline in the number of residents, and has been increasing in the last few years primarily in the outer boroughs of East Berlin and the hinterlands surrounding Berlin. The losses due to movement compared to the surrounding area doubled between 1994 and 1996, in those three years the loss of population to the surrounding areas amounted to about 2 percent of residents – and those are not the poor households pushed away by urban renewal moving into the newly-built areas of the hinterlands. Of all areas, the older-building areas of Friedrichshain exhibit the greatest loss of children due to movement. The balance of those employed is also negative. For a few areas, the share of those employed among adults moving in is as much as 20 percent lower than among those moving away.

Similar to the inner city areas of the western part of the city, a high percentage of residents are unemployed, although the percentages are lower. With an unemployment rate of 20 percent (September 1999), Prenzlauer Berg is at the top of the East Berlin scale. Even in the Western part of the city, only Kreuzberg, Neukölln, and Wedding have higher rates of unemployment. This numbers point to a problematic development: rising unemployment, selective flight, and the development of a polarized income distribution, there is a danger of a development “toward the bottom” in East Berlin as well, of the emergence of segregated neighborhoods. Alongside this, however, there is a tendency toward an upward valuation of some areas due to the influx of childless households with high-level incomes. Symbolic processes of price appreciation of neighborhood properties via the location of galleries, chic restaurants, and shops for luxury consumption can be observed for example in the area of Berlin-Mitte known as Spandauer Vorstadt, and the area around Kollwitzplatz in Prenzlauer Berg.

## EXAMPLE: PRENZLAUER BERG

The older-building areas of Prenzlauer Berg had largely deteriorated by the end of the GDR. At the beginning of the 1990s, preparatory investigations initially determined in what areas redevelopment statutes were to be issued. The decision by the senate commission for construction and housing affected a total of five areas in the borough that had been decided upon between 1993 and 1995. The goal was on the one hand to renovate the dilapidated old housing stock and modernize the apartments, while on the other hand maintaining the composition of the population and keeping rents affordable. However, maintaining the population structure has proven difficult under the existing conditions. The social mixture that emerged in the older-building areas during the GDR period can hardly be conserved under the new conditions, as well as against the background of the enormous transformations of the social structure in East German society. New living offers and opportunities have opened up for residents, and at the same time new property owners have moved into these areas of the borough who have an interest in the most effective possible valorization of their real estate. The intention to maintain the population structure in the renewal and environmental protection areas thus becomes a tightrope walk between further deterioration of the building material and price appreciation through modernization. Each development drives a particular population group to move away, and this explains the high fluctuation in the neighborhood.

In terms of housing stock, there are two recognizable types that lead to distinct motivations for residents to move out: in the unrenovated houses, which were long affected by unclear ownership and in which for that reason an emergency management without renovation and modernization, measures as well as exclusively simple repairs to secure the house were implemented, initially all those residents moved out who wanted a modern apartment, or at least one with a bath and indoor toilet – an option that became available from the middle of the decade. Poor people and students moved into these houses, who simply wanted to establish themselves for little money and without luxury. The condition of the houses was to some extent catastrophic, so that many were partially vacant: the roofs were leaky, gas lines had to be turned off, external toilets were destroyed and staircases dismantled.

In the houses in which ownership was clarified, renovation measures were usually promptly begun. Many households now moved out because they did not wish to remain in the houses during the construction phase lasting an average of one to two years, and sought new apartments according to their standards and possibilities. Many left the borough. A study of motivations for moving away from renovation areas in Prenzlauer Berg arrives at the result that 66 percent of households that had moved away were dissatisfied with the old apartment, while 44 percent were dissatisfied with the area (cf. ARGUS 2000). Of

the barely 500 households surveyed that had moved out of their previous neighborhoods between 1994 and 1999, only every sixth households remained in the borough, while 28 percent moved to other inner city boroughs, and 8 percent to the hinterlands. Over half of all households rented an apartment in the outer boroughs of Berlin. The study also examined the social structure of households moving away: of those surveyed, 45 percent had a college degree, 40 percent had completed vocational training; the overwhelming majority was employed (58 percent), 10 percent unemployed. These results correspond to our analyses of the migration data and show the high percentage of a high-status population among those moving away.

In the borough of Prenzlauer Berg, a striking social transformation occurred in the 1990s. However, it is difficult to evaluate this transformation, since its movements have not been uniform. In contrast to the observations above, which attest to an emigration of families and the employed, political groups in the borough bemoan ‘gentrification’ which pushes out the “traditional” population. There are no empirical studies about the households moving in, but on the basis of the changed social structure of the borough which can be ascertained from the micro-census, a few statements can be made. Tendencies toward price appreciation are recognizable from people’s vocational training and school degrees. The share of people with *Abitur*<sup>4</sup> and college degrees in the borough rose considerably between 1991 and 1998: from 14 to 24 percent and from 25 to 41 percent, respectively. Both groups have increased by about 65 percent. At the same time, the number of inhabitants with a *Hauptschulabschluss*<sup>5</sup> or a vocational apprenticeship has decreased. However, since 1995 their share has declined only slightly.

A similar development can be seen in the case of income. As we showed in Chapter 4, table 10, the share of people with higher incomes (over 3,000 DM a month) in Prenzlauer Berg and Mitte grew between 1991 and 1998, but after 1994 an increase in those with low incomes is observable. So with income, as with educational and vocational degrees, a polarization of the structure of the population in the borough is evident. It is not the poor who are leaving the borough, but rather middle class families. Those moving in, in contrast, are overwhelmingly young households. These are not just single-person households: the number of singles-households declined between 1994 and 1998 according to the micro-census, and the number of large households with at least four people is lightly rising.

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4 | Translator’s note: the secondary school degree permitting its bearer to attend university.

5 | Translator’s note: the lowest level of secondary school degree.

Table 3: Educational and Vocational Degrees in Prenzlauer Berg 1991-1998

	Residents (in 1.000)	Hauptschule Degree	Abitur/ Fachhoch- schulreife	Vocational Training or Apprenticeship	Higher Education Degree
1991	143.6	29.8	14.4	63.5	25.4
1993	147.7	32.2	16.4	64.8	26.5
1995	146.4	24.0	22.3	57.1	35.9
1996	143.9	23.3	24.6	54.0	38.3
1998	136.9	23.5	24.1	54.3	41.3

Source: Statistisches Landesamt Berlin: Mikrozensus

If the “gentrification” of an *area* is by definition the social replace of its residents, then it has not occurred so far in Prenzlauer Berg, since the moving away of middle class families continuously makes apartments available in which – depending upon rent and amenities – either households with high incomes or poor households move into. In houses that have been renovated and modernized, usually different people move in after this work has been concluded, and more that tend to be better situated socially than those who lived there previously. In the case of a conversion to owner-occupied flats, a complete replacement of residents occurs. But in a neighboring house, in which the living standard has not been improved and the rent thus remains low, the “better off” tend to move out: gentrification in one house, but the opposite in the other.

Up until now, around 40 percent of houses in the borough have been comprehensively renovated and modernized, so that there is still a sufficient stock of unrenovated older buildings in which poorer groups have been able to evade modernization. A displacement of the poor will occur when this housing stock is no longer available and there are no other alternatives in the borough. Price appreciation processes and continuing decline exist in a small space alongside one another in Prenzlauer Berg. In the neighborhoods, different milieus are developing, and even on streets adjacent to one another there are different social attributes which in the medium term will develop into an act of coexistence between decline and appreciation within a small space. The behavior of residents with regard to their perception of their rights and interests plays a role in all these processes. We will deal with that in the next chapter.

The tempo of renovation will slow down after the now effective end of the special depreciations. Maybe then the maintenance of the population structure will become a possibility – or, and this is a different scenario, after revenues from tax breaks dry up, property owners will have to demand higher rents to implement renewal and thus induce a stronger upward social trend. That will

only be possible in those quarters that have already experienced a strong symbolic appreciation and which exhibit high architectural quality.

*Translated by Alexander Locascio*

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# New Lines of Division in the New Berlin<sup>1</sup>

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*Margit Mayer*

German perceptions of New York City zero in on the disparities furrowing this “most European” U.S. metropolis. Popular impressions appear horrified at the juxtaposition and intensity of glamour and squalor, while scholarly views contrast the social polarization so characteristic of U.S. cities – paradigmatically represented by New York – with “the European City,” which, by definition, is more integrated, homogeneous, and inclusive (cf. Häußermann and Siebel 1993). Such German views have a vast literature to go on: the social polarization and dividedness of New York City is documented and analyzed like no other. And, as a consequence, it has been labeled the exemplary “dual city” (Mollenkopf and Castells 1991), “divided city” (Fainstein et al. 1992) “quartered city” (Marcuse 1989), and “revanchist city” (Smith 1996).

Berlin, in contrast, has been depicted as the archetypal European city, characterized by homogeneous fabric and socially mixed neighborhoods. This essay looks at Berlin since unification and finds that, twelve years after the fall of the Wall the city indeed is no longer divided by a “death strip,” but new, more and less visible boundary lines have come to traverse the city, establishing socio-spatial patterns of polarization not known before. Clearly, it can no longer serve as a counter model to the polarized U.S. metropolis. What is more: the policy responses with which local politicians have sought to address these disturbing trends, and with which they are expressly attempting to prevent an “Americanization” of the German city, seem to exacerbate new forms of socio-spatial polarization heretofore more characteristic of U.S. cities.

What is striking on first sight is the transformation, since unification, from a relatively compact, socially integrated city to a fragmented, sprawling cityscape with more pronounced spatial inequalities. And along with this new

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**1** | Source: Mayer, M. (2006) New Lines of Division in the New Berlin. In Lenz, G. et al. (eds.) *Towards a New Metropolitanism: Reconstituting Public Culture, Urban Citizenship, and the Multicultural Imaginery in New York and Berlin*. Universitätsverlag Winter, Heidelberg, 171-183.

socio-spatial topography of the new Berlin comes a discourse dismissing the long-held idea of the integrated European city. Different kinds of dividing lines are now running through the new Berlin landscape: still conspicuous, though in a different way than in the past, is the division between East and West, which is manifest in both mental and physical distance. Next, a qualitatively new boundary has emerged between Berlin and its outer periphery, the surrounding state of Brandenburg, as well as between the central city and its outer districts. More small-scale, but significant novel boundaries are separating newly emerging islands of wealth and upgraded spaces from their surrounding bleaker environment. Next to these, spaces of marginalization have formed that play an important role in marking off the newly upgraded “primary” spaces. Overlaying and intermeshing with these patterns of spatial inequality are social and cultural boundaries dividing immigrants from Germans. Also, the division between the milieus of the new federal government and of the old-established local government appeared to be a marking feature at least of the “transitional Berlin” (*Der Spiegel*, 15/2000). Even though this division between the camps of federal and state governments has spatial as well as cultural and political manifestations, we will have to leave it outside of our consideration in this piece.

## **OLD DIVIDING LINES**

Except for two Eastern districts (Mitte and Prenzlauer Berg), where more than half of the residential population has been exchanged, West Berliners have mostly stayed in the West and East Berliners have mostly remained in the East. For many Westerners, mentally the boundary between “civilized West” and “foreign” or “wild East” still exists: what begins behind Alexanderplatz to them is not Friedrichshain, but terra incognita. The distance many Easterners feel towards the West – frequently mocked by Westerners as “ostalgia” or denounced as lack of democratic skills – may also be interpreted as an expression of disappointment with the lack of social participation afforded to them. The mutual distance between East and West is not merely a cultural gulf but finds political expression as well, as is dramatically underlined by the voting patterns. In the 1999 elections, the Western majority voted for the Christian Democratic Union (CDU) (49.3 percent), while the Eastern majority elected the Party of Democratic Socialism (PDS) (39.5 percent). The PDS dominated in every single one of the eleven Eastern districts (in Lichtenberg with 48 percent, in Mitte with 44.2 percent) and won almost all of the direct mandates in the East, whereas the CDU carried all the direct mandates in the West (except in Kreuzberg, where the Green Party won both mandates). In people’s minds, in their everyday behavior, in the way they use the media, in their consumption

patterns, and especially politically the city continues to be divided between East and West.

Another inherited form of segregation is that by citizenship. It is more pronounced in Berlin than segregation by income, level of education, or employment position. Berlin's segregation index for citizenship is significantly higher than that of several West German large cities, which is due to the fact that very few immigrants live in East Berlin compared to the Western cities (in 1998: 5.7 percent as opposed to 17.4 percent in West Berlin). Large parts of East Berlin continue to be "free of foreigners." Concentrations of residents with other than German citizenship (i.e. more than 30 percent) are to be found in parts of Kreuzberg and in the northern areas of Neukölln and Schöneberg as well as in large parts of Wedding (Krätke and Borst 2000: 237). A "high percentage of foreigners" does not, however, automatically imply "bad neighborhood." Only in combination with factors of socioeconomic strain do "high proportions of non-Germans" become synonymous with "social problems." These concentrations do document, however, the specific conditions of access immigrants have found to German housing markets. During the 1960s and 1970s the so-called "guest workers" were able to access the substandard housing of old inner city tenements; in the 1990s, when immigrants have come mostly from Eastern Europe and when deindustrialization had seriously deteriorated the conditions for integrating them, the new migrants would find access only to public housing or to the large settlements at the fringes of East Berlin (*ibid.*; Häußermann and Kapphahn 2000: 13).

## NEW CONCENTRATIONS OF POVERTY AND DISADVANTAGE

Since the wall came down, mobility has increased tremendously: 35,000 Berliners leave the city every year for Brandenburg, mostly to the belt immediately around Berlin. This increased rate of mobility had the effect of intensifying earlier segregation trends, which heretofore had been less pronounced. Thus, for example, the wealthy southwestern districts Zehlendorf and Steglitz, as well as Wilmersdorf and Charlottenburg became more homogeneous, losing even more of their few low-income residents, while the traditional inner-urban working class districts of West Berlin (Kreuzberg, Wedding, Neukölln, Tiergarten) manifest disproportionally high gains in low-income, unemployed, and welfare populations.<sup>2</sup> While the socio-structural profile of the Western part of the city, characterized by some disparity already before unification, has become more strongly accentuated in its extremes, transformation in the East has been

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**2** | The average monthly family net income in Zehlendorf amounts to DM 5,800, in Kreuzberg and Wedding to DM 2,900 (cf. Knecht 1999: 12).

more radical. Eastern districts, which knew hardly any socio-spatial segregation, have been undergoing dramatic changes. Overall, though, the structural socio-economic transformation of the city has located the loser districts mostly in the West.

While some studies make the increased mobility rates into the anchor of their analysis and interpret the intensifying concentrations of poverty and unemployment in certain neighborhoods as a consequence of the out-migration of “stable social groups” (cf. IfS and S.T.E.R.N. 1998), others emphasize the employment crisis and the enormous loss of jobs in the city, i.e. they interpret the growing unemployment and welfare numbers as consequence of deindustrialization.<sup>3</sup> The massive loss of jobs triggered by deindustrialization affected primarily the workers living in the traditional working class districts, many of whom immigrants, who before 1990 were primarily employed in manufacturing.

Since the mid-1990s, neighborhoods with high concentrations of social disadvantage have increasingly become – through a complex process of media and political construction – associated with dilapidation, violence, poverty, drugs and crime, and high rates of immigration (a process well known from U.S. cities since the 1970s). In Berlin, this process began with a *Spiegel* feature about Neukölln (Der Spiegel 43/1997) depicting this working class district as an “outcast ghetto,” where shootouts have become everyday routine and public housing complexes have turned into slums. A torrent of similar articles swept through the local media as well during 1998, playing up violence and crime. A *Tagesspiegel* report turned “almost all of Kreuzberg into a no-go area,” where especially the Wrangel neighborhood is described as “rotting away from the inside,” the crime rate in this “foreigner ghetto is so immense that the German police has given up control” (quoted in Rada 1999: 19). Conservative politicians, such as the then-chair of the CDU delegates in Berlin’s parliament, Landowsky, have spoken of “those uncontrollable centers of crime” (Der Tagesspiegel, September 19, 1998) and that “one should be courageous and blow up” public housing complexes like *Neues Kreuzberger Zentrum*. Within the Social-Democratic Party as well more and more voices have been calling for tearing down such housing complexes – since they are detrimental to the image of the capital city (in the words of the Senate’s building director Stimmann).

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**3** | Between 1990 and 1997 350,000 jobs have been lost, the number of unemployed rose, from 1993 to 1997, by 36 percent (West: 38 percent, East: 33 percent), the number of welfare recipients rose, from 1991 to 1998, by 14 percent (West: 12 percent, East: 17 percent). The overall unemployment rate in Berlin has been continually rising from 10 percent in 1991 to 16.4 percent in 2000, with the severest concentrations in Kreuzberg (29.2 percent), Neukölln (22.4 percent), Wedding (21.6 percent) and Tiergarten (21 percent) (cf. Krätke and Borst 2000: 276).

These different positions were unanimous in defining the new spatial concentrations of poverty as dangerous and as a threat to the public order. Similarly, a study commissioned by the Senate for Urban Development in 1997 to identify “problematic neighborhoods” uses this kind of language to describe these neighborhoods (cf. IfS and S.T.E.R.N. 1998). Particularly the categories of inner-city old housing stock and the public housing complexes in West Berlin are said to manifest “alarming socio-spatial polarization,” as they are characterized by high population fluctuation, high immigrant rates, and high out-migration of employed, stable income groups. Public spaces in these neighborhoods are described as characterized by dilapidation, increasingly violent interactions, drug crimes, alcoholism, dominance of immigrant youths, and growing insecurity (ibid.).

Such associations are, however, both methodologically problematic<sup>4</sup> and substantively counterproductive, as they contribute to further stigmatize the residents of these neighborhoods. Obviously the new concentrations of poverty, of structural unemployment and of social disadvantage, which have emerged in the course of the 1990s (and which have been corroborated by a variety of studies – though with diverging explanations<sup>5</sup>) pose a threat to the social integration of the city and thus a challenge to urban development. But so do other divisions within the central city, which do not figure in the public debates, and which are not even perceived as problematic.

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**4** | They are based on the perceptions of the author’s interview partners, i.e. staff at the district and Senate administrations. Furthermore, to use the proportion of immigrants as an indicator for “neighborhoods characterized by social strain” runs the risk of interpreting the very presence of non-German residents as “social strain” (cf. Krätke and Borst 2000: 220, 238).

**5** | In 1995, the Office of Health and Social Statistics showed, in a social space analysis pertaining to the whole city, that inner city districts were manifesting serious concentrations of indicators of social strain and that the social index of many of the already strained districts of Berlin had further deteriorated (cf. Hermann and Meinschmidt 1995; Hermann et al. 1997). Methodologically, these studies used the so-called factor analysis. The data analysis of social statistics applied by *Sozialorientierte Stadtentwicklung* (IfS and S.T.E.R.N. 1998) concentrates on small-scale selective migration processes in the statistical areas of Berlin, in parts amplified by data on welfare, unemployment and immigrant rates. The study by Krätke and Borst (2000) employed a cluster analysis for its interpretation of socio-spatial disparities. Cluster analysis allowed them to extract nine different area types representing the different types of socio-structural spaces in both halves of Berlin.

## ISLANDS OF WEALTH

Newly upgraded spaces, especially in the center of the city, have established invisible boundaries around them. The visitors and users of Friedrichstadt-Pasagen (with their department store *Galeries Lafayette*, their banks and top-level offices) rarely venture just 300 meters south into one of the so-called “problem neighborhoods” of Kreuzberg, which is Turkish and apparently threatening to those north of it. Nor do its residents cross the new Checkpoint Charly towards the north, even though the sign “Attention, you are now leaving the American sector!” (which is still there!) no longer prohibits this border crossing. Nearby Potsdamer Platz is also no longer demarcated by a death strip, and still the adjacent poor quarter of Potsdamer Straße, with its dilapidated housing and cheap stores, remains cut off from the glitzy world of consumption and entertainment of Berlin’s latest tourist attraction. In Mitte, investors speak of the “profit boundary” separating the low-income Rosenthaler Vorstadt from the lucrative “tourist racing path” Spandauer Vorstadt (which meanwhile counts more seats in restaurants, cafes and bars than residents) (cf. Rada 1999c: 19). And in Prenzlauer Berg, a similar stark new division has emerged between gentrified Kollwitzplatz and the “problem area” Helmholtzplatz nearby.

The gentrification processes spreading throughout East Berlin’s inner city districts take the form of insular expansion. The people who have moved to Prenzlauer Berg in the course of the 1990s (70,000 new residents between 1991 and 1997) have higher incomes (by 50 percent on average), are younger, better educated, and form more single households than those who left (65,000 between 1991 and 1997). Their buying power and their very different consumptive behavior have dramatically transformed the local infrastructure: expensive boutiques and fancy restaurants have displaced old tenants, small shops, and alternative projects that could not keep up with skyrocketing rents (cf. Gude et al. 1999).

Insular gentrification processes have also taken place in the middle of poverty-ridden Kreuzberg. Luxurious lofts, e.g. in the Paul-Lincke-Höfe, typically present a modest outside front, but the inside of these courts manifests high-class loft-living with, in this case, “paradise gardens bathed in neon light installations by the American land artist Martha Schwartz” (Rada 1999b: 19). Introverted architectures, turning their backs on the city, express a withdrawal into the private space of “closed society” which no longer trusts public space. The people who live here do not need public parks. State secretary of urban development Stimmann makes himself their spokesperson as he favors, instead of the traditional public green spaces, small, high-standard so-called (in German) “pocket parks” inside the core of new building blocks.<sup>6</sup>

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**6** | A parallel but opposite trend to this expansion of closed-off islands of new wealth, so-called primary spaces, has been the emergence of a new periphery also in the

So, hand in hand with this trend of privatized primary space and downgraded marginal space comes a transformation of public spaces. These undergo a degree and form of privatization that is novel for German cities. Shopping and entertainment zones in centrally located areas such as "Daimler City" (as Potsdamer Platz has informally been dubbed) as well as the train stations that have expanded into service and shopping centers have become privatized; while technically still public space, they are increasingly restricted to consuming and traveling customers. Some plazas, while still looking like public spaces, have already been sold, such as a small park called "Los Angeles Plaza" in downtown West Berlin that used to be a public green space. The city sold it to a private daughter corporation of the AG City (a coalition of Ku'damm businesses) in order to prevent that homeless people or drug addicts would use this park. A sign at the entrance of the park now lists the "house rules," such as "no eating, no drinking, no being there after dark."

These invisible boundaries protecting urban glamour zones require a type of control that is new both in quantitative and qualitative terms, to make sure that those who do not behave as the desired consumers are excluded. New forms of boundary policing have been introduced to Berlin and 36 so-called "dangerous places" have been designated, where essential citizenship rights can be suspended: People and their belongings may be controlled without any concrete evidence of an offence, they can be ordered to leave the area, and they can be forbidden to even come there for up to three months. Special police units have been established (so-called "Operative Groups") that have been deployed since 1993 to target immigrants, beggars, youths, prostitutes, and drug users (cf. Eick 1998). Whoever disrupts the desired use of the downtown areas or does not respect the newly drawn boundaries, is removed by the "Operative Group Alex" or the "Operative Group City-West," often taken to the forest at the edge of the city.

Conflicts over the use of public space are also sparked within the so-called "problematic neighborhoods," especially where opportunities for further gentrification present themselves in the small-scale coexistence of dilapidation and lavish upgrading, as is so characteristic of the current Prenzlauer Berg transition. For example, the "dangerous zone" around Helmholtzplatz, a traditional poor people's neighborhood, where long-time residents and people on welfare as well as alternative projects and initiatives are disproportionately represented, has already come under development pressure as "attractive residential neighborhood with turn-of-the-century ambiance and a rapidly growing hip scene"

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middle of central districts of the city. Nine wild encampments with about 700 residents had settled at various sites in the internal periphery of the city, particularly where the wall used to be, but the Senate forced them out to the edge of the city, with massive police force, creating new islands of marginality that are stigmatized and often unwanted by the "indigenous" German residents (cf. Sambale and Veith 1998).

(Rada 2000: 20; cf. Bernt 2001). The public debate about this conflict over the direction of the neighborhood depicts the alcoholics – who with the restoration of the park literally are marginalized and squeezed out of the park – as symbol of a no longer desired use of the park. For other “problematic neighborhoods” (such as around Kottbusser Tor in Kreuzberg or around Potsdamer Straße in Schöneberg), it is the drug users who get turned into the symbols responsible for making the area a “dangerous zone.” Deployment of the “Operative Group Potse” and “Operative Group SO 36” in fact hinder or even prevent the outreach work of drug counseling and social aid organizations (Eick 1999: 100). And media campaigns which scandalize the dilapidation of public space and demand more security and police forces in order to address the consequences of spatially concentrated poverty, also no longer depict poverty as a social problem but exclusively as a threat to the public order.

## POLITICAL STRATEGIES AGAINST THE POLARIZED CITY?

Both the “flight of middle class Germans” from the city and the growing socio-spatial polarization and fragmentation have been perceived as evidence of a creeping Americanization – which politicians claim ought to be avoided at all costs. Two measures have been put in place to counter these tendencies: *Planwerk Innenstadt* to counter the exodus of urbanites was passed by the Senate as guiding concept for the development of the central city in 1999, and a community management program for “problem neighborhoods” was introduced in 1999.

Late in 1996 the Senator for Urban Development introduced a first version of its strategy *Planwerk Innenstadt*, i.e. a master plan for the inner city. The declared goal of the plan was to reconnect and restructure the East and West Berlin downtowns. But the focus has in fact been on the East, where the plan described the area between Alexanderplatz and Schlossplatz as “in need of transformation”: in spite of its excellent location opening up all the possibilities of primary space, it was described as presenting, in its extant form, a “developmental barrier given the international urban competition.” Besides overcoming the “disruption” which urban planning of the modern age (i.e. real existing socialism) had wreaked on the urban fabric, the plan was to create an urban environment attractive to so-called “urban citizens.” The existing prefabricated highrises were not considered as suitable to prevent the exodus of high-income groups from the city. However, current residents were not involved in the plan, and its publication triggered outbursts of resentment from Eastern citizens who happened to like their familiar environment.

Still, in order to more fully realize the potential value of this location, the plan called for more housing to be built, in the form of (initially 28,000, then only 20,000) condominium apartments. The assumption was that individual



home ownership would be the best way to upgrade the central city, guarantee a return to the private investors, and bring about the necessary change in “urban citizenship consciousness.” This “urban citizen,” to whose supposed needs the plan is oriented, is connoted as embodiment of urban culture. Thus, the Senator for Urban Development, Peter Strieder, gave these reasons for his strategy in a piece titled “In Search of Urban Citizens”: “We are losing those who embody urban culture. [...] It is our task to reactivate this urban citizenry. An important step in this direction is, for example, that we are making a lucrative offer for housing property in the city to those who want it” (Strieder 1998: 11).

In spite of the subsidization of urban land for home ownership formation, the envisioned wealthy urban professionals have not been coming forth in sufficient numbers. This seems to be, at least in part, due to the fact that the new lofts and luxury apartments around Friedrichswerder, Molkenmarkt and Spittelmarkt are unaffordable even for Berlin’s professional managerial class at square meter prices of DM 8,000 and up, and sufficiently rich people are not interested to locate here (Rada 2000: 19).<sup>7</sup> Housing policy – which in Berlin used to be that of a tenant city – has completely shifted towards a homeowner city: while subsidization of condo conversion is expanded, funding for social housing has been drastically curtailed, rent control has been terminated, each year 30,000 more housing units are “freed” from being reserved for low-income groups, and the public housing associations are being sold.

Ostensibly in order to stem the advance of social polarization, the Senate attempts to keep or to attract high-income households in (to) the city. This strategy appears logical when processes of impoverishment are seen primarily as consequence of the exodus of high-income “representatives of urban culture” as a ferment for the health of the city. However, the reasons for the accelerated processes of decay of the 1990s seem to be more complex and having their primary cause in the industrial restructuring and ensuing employment crisis. The way the *Planwerk* is designed, it is not likely to lead to a multiplication of different inner city users, but rather to replace low-income residents with upscale groups and to “clean up” the downtown. At the same time, it does not appear likely to stop the suburbanization of middle class families, for whom the move to the belt around Berlin is both more affordable and more attractive than the upscale condos in the built-up city.

The second strategy, which the Senate developed in response to the increasing social segregation, is a program for the social revitalization of declining urban areas implemented in 1999. With reference to the neighborhoods identified as most “problematic” or “at risk of becoming problematic” in the study commissioned earlier (cf. IfS and S.T.E.R.N. 1998), this strategy has an

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7 | For a critical review of the *Planwerk* overall see Architektenkammer Berlin (1997).

explicit sociospatial focus. In fifteen of these areas, community development agencies and teams were established that are charged by city government to use integrated approaches to mobilize local resources, to activate and empower residents, to initiate job creation, to attract small businesses as well as develop neighborhood-based subsistence work (Berliner Senatsverwaltung für Stadtentwicklung, Umweltschutz und Technologie 1999). The goal of the program is not desegregation or redistribution – such goals are no longer seen as feasible. Instead, it defines itself as an attempt to mitigate the worst effects of restructuring and exclusion and to slow down the downward spiral, in which these neighborhoods are diagnosed to be caught, by some stabilizing support.

For this, the Senate invests DM 300,000 per agency per year, stipulating that the “neighborhood managers” are to increase this modest budget through funds from various European Union programs (ESF and EFRE), from different German funding programs supporting the insertion of unemployed and welfare recipients into the labor market (ABM and HzA) and various programs subsidizing construction, as well as through funds available through the recently passed federal program “Social City.”<sup>8</sup>

With the establishment of new neighborhood offices, the Senate circumvented existing initiatives and community organizations, which have been in place in many of these areas, arguing that it was important to bypass those active groups, which “again and again demand resources instead of activation” (Häußermann and Kapphan 2000: 226). In various cases, organizations that have built themselves a reputation as tenant advocates or renewal agents have been inserted into the new constructions, which have drawn on a pool of employment agencies, social planning offices, economic development bureaus and enterprise consulting firms. In this way the Senate has created a parallel infrastructure overlapping with but in part displacing the existing community infrastructure – one that focuses more on economic and job creation development on the one hand and on conflict moderation and (apolitical) technical expertise on the other.

Some communities have resisted the attribute “problematic neighborhood”: they resented being stigmatized by the definition as “dangerous place” and they did not want to be given a neighborhood management office. At Boxhagener Platz, for example, residents, community groups, and the district’s (Friedrichshain) city council person responsible for urban development demanded that the area be recognized as “milieu protection area” (which would provide legal protection against condo conversions as well as against rapid rent increases based on private modernization) instead of as “problematic neighborhood.”

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**8** | Passed in September 1999, this federal program channels ca. DM 5 million to Berlin neighborhood management, as of 2001, each neighborhood will have about DM 500,000 to distribute yearly (cf. Holl 2002).

The concept of the Senate, however, does not see rising rents but the out-migration of high-income groups as responsible for the decline, the most appropriate solution for which would be subsidizing the formation of homeownership (Krätke and Borst 2000: 280).

Both strategies of the Senate, then, aim to enhance the attractiveness of the city. The neighborhood management program does so by striving to prevent the most visible manifestations of urban decay such as vandalism and deterioration of public space (perceived as threatening the image and hence the competitiveness of the city). And the *Planwerk* does so by mobilizing and subsidizing primary urban land for the assumed needs of so-called “urbanites.” While the latter strategy actually contributes to accelerating the social polarization and segregation processes triggered by the economic restructuring, neighborhood management will more likely consolidate the position of the targeted neighborhoods as basically marginal spaces, where those left behind by the restructuring are to self-manage their marginalization with self-help, social economy, and civil conflict moderation – and at low cost.

Both policy responses thus actually tend to support the emergence of a pattern of centrality vs. marginality, the incipient formation of which we can already observe: islands of luxury and zones of upscale urbanites cut off and divided by multiple boundaries from marginal, downgraded zones that are concentrating nearby. While entrusting the downgraded neighborhoods to programs of community management aims precisely at stabilizing them as such – as downgraded zones –, the visible and invisible boundaries between these disparate zones require new and more intensive forms of surveillance and control than the integrated, socially mixed, and relatively homogenous city ever needed. The pattern of dualization and polarization as well as the new forms of policing are well known from the U.S. metropolis which Berlin’s politicians so anxiously claim to want to prevent.

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# Exploring the Substance and Style of Gentrification: Berlin's "Prenzlberg"<sup>1</sup>

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*Matthias Bernt and Andrej Holm*

## INTRODUCTION

Gentrification has been a significant topic in urban research for more than forty years according to its chronicling in the West. In the context of Germany and its capital city, social division and economic transformation have also brought changes at the neighborhood level. This chapter describes the changes in this capital city and considers the changes at the neighborhood level in Prenzlauer Berg, an area of the old East Berlin and now symptomatic of the gentrification of much of the inner city.

Depending on the researchers' intellectual background, analysis of gentrification has been based either on economic or socio-structural and cultural factors. Though nowadays, such a one-dimensional view is generally regarded as obsolete and researchers have tended to try and incorporate approaches taken by other schools into their own research. However, this has arguably not led to conceptual clarification. In contrast recent attempts to paper over the fundamental cracks between Marxist and liberal, supply-side versus demand-side explanations, and structure versus agency, tended to move discussions even further away from the possibility of reconciliation of these views: a synthesis, that moved "beyond the positions of economics or culture" (Lees 1994b) has thus far been hard to find.

Apart from these older debates about supply vs. demand an important issue remains over the relative generalizability of the process that has been described as gentrification. As Sykora in this book shows, gentrification has unfolded in different ways and means in cities that have moved from differing economic systems. Here we pick up on this theme but also consider the differing regula-

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**1** | Source: Bernt, M. and Holm, A. (2005) Exploring the Substance and Style of Gentrification: Berlin's "Prenzlberg." In Atkinson, R. and Bridge, G. (eds.) *Gentrification in a Global Context*. Routledge, London, 106-120.

tory and tenurial systems that have affected the rate and distribution of gentrification activity in Berlin and other of the larger German cities. Finally we try to consider the adequacy of explanatory frameworks of gentrification given their origins in cities and countries dominated by stronger sets of property market relations and differing welfare regimes.

International comparative research has generally restricted itself to Australia, the UK and US. In comparing the gentrification of London, New York and Paris, Carpenter and Lees, for example, found that the course of gentrification depended in large part on a range of public policies, planning schemes and subsidies (Carpenter and Lees 1995: 300). The argument that national and regional context are crucial is also supported by a number of other contributions which have highlighted the role of national context in shaping local forms of gentrification activity (Kennedy and Leonard 2001; Lees 1994a; Badcock 1989; Musterd and van Weesep 1991).

With this article we try to push the project to move beyond these established positions further. Our main focus is on an attempt to confront established gentrification theories with a case in East Berlin, where the framework under which gentrification has occurred is largely different from that of the US or Great Britain in which the dominant theoretical lines and case studies have been identified and developed. Our main conclusion from this work is a call to embed gentrification research into a more advanced political economy of land and housing markets and an analysis of state intervention which has often been lost sight of in the minutiae of regular and in-depth case studies at the local level.

## **GERMAN RESEARCH ON GENTRIFICATION**

The international debate on gentrification has been picked up by a number of German social scientists. Some have even gone so far as to suggest that gentrification represented “probably the most thrilling debate of recent years” (Helbrecht 1996: 2). What makes discussion difficult is not only a lack of comparative research at the international level, but also the state of German research on gentrification more generally. Though gentrification has since the late 1980s been seen as a hot topic on the German academic agenda and numerous articles have been written, empirical research was generally characterized by a positivist application of structural and consumption-side theories (Blasius 1993; Falk 1994; Friedrich 2000) and, while production-side explanations were often cited, they were applied much less often.

The reason for this is less national arrogance in the face of important and relevant urban debates, but rather a reaction to the situation in West German cities that appeared to differ so greatly from the conditions described in the

US and UK in relation to rent and value gaps. This has been due to a range of national characteristics that suggest significant and differing preconditions which may strongly affect the value of considering gentrification as a live topic for German cities, even while interest remained high. A number of local contingencies impact on the probability and nature of gentrification activity in German cities.

In the first place state intervention is much greater than in the West while a much lower degree of income polarization at a national level and lower ethnic segregation contrast sharply with the US model of neighborhood dynamics and locales that have been shaped by gentrification processes. Like the UK race is much less of an issue in urban social relationships and neither has there been the same degree of suburbanization. Perhaps most important is the differing tenurial structure of Germany's housing stock. With rental units forming nearly two thirds of the stock (36 percent private, 26 percent social; Balchin 1996) many might suggest that opportunities for tenure transfer and gentrification are pronounced.

Germany also differs from the western city model in terms of its traditions of urban planning and an urban culture largely different from that of the UK and US which is linked to largely different attitudes to housing tenure (a distinctive "tolerance" of renting rather than owning) and the larger degree of state intervention (Häußermann 1983). Traditionally urban planning always aimed on balancing socio-spatial disparities and applied large amounts of public money to prevent segregation. Also, zoning regulations and rent-laws did a great deal to level socio-spatial disparities. Social housing, as an example, was for a long time not predominantly directed on the urban poor, but on broad strata of the society. As a result segregation in German cities is visibly smaller than in their American or British counterparts.

Due to these special conditions German sociologists and geographers have generally assumed that urban change in their country would be slower, less dramatic and less pronounced than in US cities. Consequentially studies on the upgrading of German inner-city neighborhoods were nearly exclusively engaged in the socio-cultural aspects of neighborhood change. Their main focus was on household-types, lifestyles and invasion-succession-cycles (Alisch and zum Felde 1990; Blasius 1993; Dangschat 1990; Dangschat and Friedrichs 1988), and with an impressive conscientiousness, phase models were analyzed and typologies of actors were improved. The outcome was, however, often disappointing, both for the prediction of these processes and theoretical clarification (Alisch and Dangschat 1996).

These peculiarly German conditions for gentrification changed fundamentally with the reunification of East and West Germany in 1990. As the result of the "return" of real estate properties to their original owners, or their heirs in the former GDR, a massive turnover of properties was brought about and

markets suddenly started to play a previously unheard-of role in new urban changes. This “re-commodification” (or what Sykora has called commercialization) in the context of post-communist cities, of urban development could, of course, not leave German gentrification research unaffected. Inner-cities were visibly upgraded by private capital and the face of the urban landscape changed dramatically. Furthermore, due to massive social changes the pre-conditions emerged on which a wave of gentrification could be expected. What made the issue thorny, however, was the fact, that the East German housing stock faced huge investments, although all data (due to the low incomes and a different socio-cultural differentiation in Eastern Germany) showed a clear lack of demand for “gentrified” housing. Nevertheless, as we show, a combination of local state agency, private capital and an urban culture increasingly celebrating centrality and a new infrastructure of entertainment have managed to overcome these apparent barriers.

Such processes of rapid gentrification, in the early 1990s, were then prophesied for many towns and cities in Eastern Germany (e.g. Häußermann and Siebel 1991; Krätke 1991; Herlyn and Hunger 1994). Yet just a few years later these hypotheses were toned down by empirical investigations which suggested that early waves in cities like Berlin were not matched in less “central” locations (Harth et al. 1996; Rink 1997; Weiske 1996). Harth et al. (1996) even went so far as to suggest that gentrification in Eastern Germany would be “halved” from initial estimates of its proliferation. Following the mid-1990s the view that gentrification was no longer a relevant theme for East German cities became widespread. Recent analyses have now indicated the opposite with gentrification widening its base (Franz 2000; SAS 1999; Friedrich 2000).

## THE PUZZLE OF PRENZLAUER BERG

The most prominent example of this confusion in academic discourse regarding gentrification is East Berlin’s Prenzlauer Berg. This is an old district in the immediate vicinity of the city center but whose centrality was circumvented by the Berlin Wall and was therefore neglected during the lifetime of East German state socialism. However, following re-unification the area was declared a redevelopment zone (*Sanierungsgebiet*). It is here that our story starts.

It is hard to find another urban district in Germany about which so much has been written in the past ten years as Prenzlauer Berg (Mieterberatung and TOPOS 1995 and 1998; ARGUS 1997 and 2000; Bernt 1998; Häußermann and Kapphan 2000; Borst and Krätke 2000; Holm 1999 and 2000; Reimann 2000). Moreover, despite many investigations the only thing German urban researchers appear to agree on is that Prenzlauer Berg has undergone fundamental socio-spatial transformations during the last decade. However, while some



scholars have identified a “gentrification process” taking place in Prenzlauer Berg (Borst and Krätke 2000), others reject this view as too “one-dimensional” (Häußermann and Kappan 2000: 197) and instead see a “juxtaposition of upgrading and decline” which will continue for a long time to come (ibid.: 177), or even anticipate that gentrification (especially around Helmholtzplatz) will be replaced by devaluation tendencies with the risk of “social hotspots” forming.

The difficulty of interpreting and explaining recent and future changes in old East Berlin suggests that the area, in some sense, exceeds the conceptual and empirical language and indicators of neighborhood change in the city. This is perplexing but, as the difficulty is due not so much to a lack of quantitative data and research work, but rather the *nature* of the topic, it is a good starting point to discuss what it is that makes gentrification in Prenzlauer Berg so difficult to analyze. An examination of the assumption that Prenzlauer Berg is gentrified can thus not only clarify to what extent the findings of international gentrification research are relevant for a German neighborhood and clarify the peculiarities of urban change in Germany, but may also advance our understanding of gentrification as a process that is deeply embedded into varying social and economic environments (Criekingen van and Decroly 2003).

## EXAMINING NEIGHBORHOOD CHANGE IN PRENZLAUER BERG

Our approach in this chapter is perhaps a simple one, to put the confusingly complex situation in Prenzlauer Berg in analytical order. In order to achieve this we framed a series of research questions which drew on conventional definitions of gentrification from the literature to see in what ways gentrification in Prenzlauer Berg converged and differed on these points. We compared these hypotheses with the available data and finally we draw conclusions concerning similarities and peculiarities characterizing the changes in Prenzlauer Berg compared to gentrification processes in other countries.

We were concerned with three key assumptions. First, that, if gentrification is understood as a *reinvestment process* (Smith 1996), a verifiable rise ought to occur in investments in the dilapidated housing stock. These investments would have to be spatially concentrated and lead to an increase in the local property market and/or in rental prices. Second, regarding *population changes*, new household types with a higher social status (particularly in terms of income and formal qualifications) compared to the previous inhabitants would be expected to invade (Ley 1996). As a result an “enhancement” of the social structure might be expected to occur, this enhancement being a consequence of migration movements. In connection with our first question, these changes would be particularly visible in refurbished buildings. Finally, parallel to the changes observed in the composition of the population and investment, a gen-

eral *shift in cultural discourses about the affected neighborhood* ought to occur, which in the meantime would be likely to acquired a reputation as being “chic,” trendy or a new locus of cultural activity more generally (Zukin 1991). This change in values would be likely to result in a new infrastructure of lifestyle restaurants, boutiques and delicatessens.

## THE PROPERTY MARKET AND INVESTMENT BEHAVIOR

Starting with the analysis of investment activity in Prenzlauer Berg over the past decade, a number of peculiarities were observed. A central precondition for gentrification – and one which is often taken as a matter of course – is the existence of developed property markets, which have to be in place before properties can start rising in price in a certain area. However, such a market simply did not exist in East Berlin in 1990. The market was only just emerging in Prenzlauer Berg due to the “return” of real estate to its “original owners” (in a manner with a marked similarity to that which Sykora describes). In the central areas of the old borough, this accounted for some 70-90 percent of the entire housing stock, leading to its rapid sale (cf. Dieser 1996; Reimann 2000). Since there was no generally accepted land price structure based on rational expectations and experience, the agreed-upon selling prices were largely speculative. Following an unprecedented speculative property boom (cf. Borst and Krätke 2000: 145 ff.), prices positively exploded in the early 1990s, sometimes well in excess of DM 1,000/sq.m. in inner-city areas of old housing. The property market has since noticeably cooled down, with prices for unrefurbished tenement blocks near the city center dropping to DM 600-800/sq.m.

The overheating of the property price structure in Berlin in the early 1990s owing to speculation thus led – in contrast to the assumptions in our first question – to prices falling rather than rising over the course of the decade. The development of land prices hence ran against the expectations expressed here. However, this state of affairs is a consequence of the exceptional circumstances of German reunification, which led to a speculative “bubble” on Berlin’s property market, and this point can be expected to become less influential.

Other German peculiarities result from local state intervention. This mainly concerns direct subsidies for modernization and repair of unrefurbished housing offered by the government of Berlin which are linked with various rent and occupation obligations for the owners. Links might be seen here between the grant program for disrepair available in cities like London in the 1970s and which were also linked to gentrification activity (Hamnett 1973). Before German reunification, urban renewal in West Berlin was financed almost exclusively by public subsidies. However, because of the obviously greater need for renovation in the older East Berlin housing areas and the deep budget crisis

in Berlin, this is no longer considered financially possible. For this reason in the course of the 1990s successively fewer funds were made available and the financing of renewal was left for private capital to fill the gaps, a process which was taken on board with relish given the priming effect of the local state and the newly perceived value of the location itself.

*Table 1: Refurbishment Progress in Redevelopment Zones in Prenzlauer Berg*

	no. of dwellings	modernized	%	of which subsidized*	%	of which privately financed	%
1994	32,202	811	2,5	811	100	0	0
1996	32,202	6,718	21	4,215	63	2,503	37
1997	32,202	8,186	25	5,002	61	3,184	39
1999	32,202	12,851	40	6,927	54	5,924	46
2001	32,202	16,938	53	8,536	50.4	8,402	49.6

\* Includes subsidized schemes under the government programs “Soziale Stadterneuerung,” “Stadtweite Maßnahmen,” “Wohnungspolitische Maßnahmen” (figures taken from S.T.E.R.N., the 20th report: 36 and the 21st report: 23, as well as own research)

Above all, as Table 1 indicates, in the early 1990s refurbishment was largely financed by public money; until 1996 the ratio between publicly subsidized and privately financed refurbishment was about 2:1. Since then, public funding has been continuously reduced, and by 1999 the ratio had been reversed with only about a third of (extensive) refurbishment measures being supported by public subsidies, the rest being privately financed. In 2001, following a deep budgetary crisis, subventions were completely cut. Nevertheless, thanks to the large-scale public subsidies in the early 1990s, around a sixth of the entire housing stock was refurbished using direct public grants. As a result, the local housing market contains a considerable “welfare segment” where rent development, occupancy and the economic profitability of investment are largely disconnected from market activities – at least for the duration of the grant programs.

Another, probably more important peculiarity stems from German tax legislation. The special depreciation possibilities enshrined in the Development Zone Act (*Fördergebietgesetz*) meant that a considerable share of refurbishment costs for building owners in the 1990s was tax deductible. Until 1996 this form of depreciation allowed up to 50 percent of refurbishment costs in the first year of investment to be offset against tax, this proportion being reduced to 40 percent until 1998/99. These high indirect subsidies made refurbishing old housing extremely lucrative for investors with a large taxable income, especially if costs were high and rents low, since the “costs” of investment could

be transformed into tax savings for the partners involved. The lion's share of the yield from letting housing thus mainly resulted from claiming tax benefits, with only a small amount stemming from rental income. As the balance of investment could be evened out by tax advantages, investors could afford to do without high rental income for a while, as well as building in areas where no affluent demand was apparent. Therefore, investment largely took place irrespective of the rents realistically expected after refurbishment, and often irrespective of location. Encouraged by the possibility of saving tax and due to the uncertainty about good or poor locations, refurbishment was widespread in Prenzlauer Berg. Even the area around Kollwitzplatz, which was generally considered to be especially attractive, did not attract significantly more investment than other districts.

In consequence investment activities show in Prenzlauer Berg a different spatial pattern than that which is traditionally known from international gentrification studies. A "frontier of profitability" of the type observed in American gentrification areas (Smith 1996; Reid et al. 1989) has so far not emerged. Instead of having a clear "frontier," gentrification in Prenzlauer Berg has had a restricted scattering of investment across the neighborhood.

## HOUSING MARKET AND RENT DEVELOPMENT

Since only a dwindling fraction of dwellings in Prenzlauer Berg are inhabited by their owners, we now direct our attention to the development of rents – which, too, is an area that is strongly affected by federal, specifically East German and local regulations. Generally speaking, rent inflation in Germany is subject to strict legal control, with the result that rents can only be increased gradually within a certain framework defined by the "comparative rent system" (*Vergleichsmietensystem*). In addition, various transitional regulations were in force until 1998 in what used to be East Germany (GDR), which again provided narrow scope for rent increases. Furthermore, in 1995 local "rent caps" were introduced in various inner-city districts in East Berlin which were designed to cap rents for a certain period at a socially acceptable level of around DM 6-9/sq.m. What all these regulations have in common is that they provide far more protection for existing than new tenants. Whereas for example rent increases are limited to 20 percent within three years (assuming no modernization has taken place), rents for new contracts are mainly freely negotiated between tenant and landlord. Moreover, the caps applying to certain boroughs and which are supposed to apply to all rent contracts are difficult to enforce when premises are rented to new tenants. A study of rent development in unsubsidized buildings hence found that new tenants paid a third more than existing tenants. In contrast to the rent cap of DM 7,91, which generally worked for remaining tenants, new

tenants pay an average rent of DM 10,50 (ASUM/Mieterberatung 2003; own calculations), considerably higher than the general price level in both East (DM 9,53) and West Berlin (DM 8,65).

Since rent increases among the existing tenants can only be carried out gradually and within certain levels, market development is largely molded by the development of the rents paid by new tenants. However, according to the "Market Monitor – Real Estate Market 2000" (BBU 2000) in which landlords were asked about the development of rents for new tenants, the areas of old inner-city housing in East Berlin are considered to be especially attractive for investors. Even though incomes in East Berlin are still below those of West Berlin, the level of rent agreed by new tenants is significantly higher than that paid in West Berlin. For example, whereas a maximum of DM 9.48/sq.m. is demanded for refurbished housing in inner-city boroughs in West Berlin such as Charlottenburg, Schöneberg and Wedding, rents of up to DM 14.00 are paid in districts of old housing in East Berlin like Friedrichshain, Mitte and Prenzlauer Berg. Moreover, rents are tending to rise in these areas, whereas elsewhere in Berlin they are stagnating. Furthermore, East Berlin is characterized by extreme differences in the rent paid by new tenants in refurbished buildings (for example in Prenzlauer Berg they range from DM 5.14 to DM 11.00). This can be attributed to the effect of the rent caps in redevelopment and "milieu protection" areas, which can hardly be enforced for new tenants, and which are far below the market level. Whereas the lower level of this range represents the effect of state rent caps, the upper level reflects the rent increase potential once these regulations expire. Rents in the district of Mitte are already very high, and aspiring market locations in East Berlin's boroughs of Prenzlauer Berg, Pankow and Friedrichshain are not far behind. In all other districts of Berlin, rents are stagnating.

It is important to stress that rising rents are mostly paid by new tenants, who have a weaker legal position than existing tenants. Rent increases – and as a result economic displacement – are here not only dependent on the market position of the locality, which could well be explained with the available knowledge on gentrification. Rather than that it is also to a certain degree determined by the different positions that legal frameworks offered for different types of tenants.

## POPULATION CHANGES IN THE DISTRICT

During the 1990s, the size of households in Prenzlauer Berg changed fundamentally. The proportion of single-person households rose by almost 20 percent between 1991 and 2000, and now makes up about 60 percent of all households, compared to the Berlin average of 48 percent. The average number of persons per household has thus declined from 2.1 to 1.6, compared to the mean figure of 1.9 persons per household in Berlin in 2000 (2000 micro-census). Prenzlauer Berg has developed into a neighborhood dominated by young singles. In areas of older housing, a considerable decline has also occurred in the number of children and youngsters aged below 18. By contrast, the proportion of those aged 25-44 has risen from a third to over half.

A rising tendency towards higher educational qualifications has also been seen in Prenzlauer Berg. Despite the declining population size, the number of residents with *Abitur* (higher education matriculation qualification) has increased. Whereas the number of people with solely lower school qualifications has fallen below the 1991 figures, the number of people with *Abitur* has almost doubled. Prenzlauer Berg now occupies a premier position in this respect, since the average number of people with *Abitur* in East and West Berlin has only increased by about a third.

Table 2: Population in Prenzlauer Berg and Berlin by Higher Education Certificate (*Abitur*)

	Berlin		Prenzlauer Berg	
	No.	Index*	No.	Index*
April 1991	564,000	100	25,400	100
April 1993	654,700	116	31,000	122
April 1995	702,600	125	40,500	160
April 1997	752,400	133	49,500	195
April 1999	775,500	137	47,700	188
April 2000			48,100	189

Source: Berlin Department of Statistics, micro-census 1991-2000, \* 1991=100

A similar tendency is to be seen in the number of people with higher education qualifications. Whereas the number of vocational qualifications has stagnated or even fallen, the number of people with higher education qualifications has almost doubled in the area since 1991. The number of higher education graduates increased between 1991 and 2000 from about 15,500 to almost 35,000 – in other words more than one in four adults in Prenzlauer Berg has completed

a degree course. This significant increase in the share of people with higher education sets Prenzlauer Berg apart from other Berlin boroughs.

This upward movement in educational degrees is not yet significantly reflected in income. Households' incomes, which were among the lowest in Berlin in 1991, are still below the East Berlin average – but, given the size of households (Prenzlauer Berg 1.6/East Berlin 1.9), it is apparent that Prenzlauer Berg has reached an average level of prosperity. This apparent normalization of income in Prenzlauer Berg masks significant differentiation, with a large gap between low and high incomes exceeding the average elsewhere in the city. Whereas nearly one in three households (31.5 percent) has to make do with a monthly income of less than DM 1,400 (compared to the average in East Berlin of 26.97 percent), 13.08 percent of households have an income exceeding DM 3,000 (compared to the average in East Berlin of 12.97 percent; 1999 micro-census), thus high and low earners live cheek by jowl.

To summarize these changes we can see that the changes to the social structure in Prenzlauer Berg are congruent with the changes to be expected during a process of gentrification. In particular, educational degrees and the income distribution demonstrate a clear differentiation among the local population, indicating a pioneering phase of gentrification and the fact that “invaders” are living next door to the usually “displaced.” Moreover, these changes are not due to endogenous developments but are instead the result of enormous internal changes in the population structure of the neighborhood. With a slightly varying total population of 130,000–140,000, between 1991 and 1999 over 225,000 people moved into and away from the Prenzlauer Berg (Berlin Department of Statistics). Mobility grew continuously; in the second half of the 1990s some 30,000 (about a quarter of the total population in Prenzlauer Berg) moved in or out of the area every year.

These population dynamics are highest where refurbishment has been carried out. Fluctuations are especially prompted by privately financed modernization. A study of inhabitant structure in privately modernized buildings (Mieterberatung/TOPOS 1998) revealed that 50 percent of tenants only moved in following refurbishment. Another study put this figure higher at two-thirds (Häußermann et al. 2002). The latest survey (ASUM 2003) estimates that more than 75 percent of tenants have moved out suggesting a staggeringly high level of population displacement.

The rent, ages and household structure and income of new and old tenants differ greatly. Eighty-five percent of new inhabitants are aged between 18 and 45. Older children as well as seniors are practically non-existent in this group. The majority of new tenants are single-person households. The employment rate is above the local average. Whereas only slight shifts are to be ascertained among existing tenants, the proportions of blue-collar workers, unemployed, pensioners and trainees are especially low among new tenants. By contrast, the relative numbers of self-employed and students are high.

The financial position of newcomers is correspondingly high. Extremely low household incomes of below DM 1,000, which in 1997 still accounted for 15 percent of the population in the area (ATGUS 1997), have now almost completely disappeared. The occurrence of higher income groups is by contrast above average. As a result, the equivalent income of new tenants weighted by household size is significantly above that of not only remaining tenants but also those moving away and the local average. Because of their higher income, especially new tenants in privately refurbished dwellings can also afford higher rents and the average rent they pay is about DM 3/sq.m. above that of existing tenants (Mieterberatung/TOPOS 1998: 25).

*Table 3: Average Equivalence Income by Household Type*

Tenants in unrefurbished dwellings	DM 1,640,-
Tenants in privately refurbished dwellings	DM 2,460,-
Tenants in subsidized refurbished dwellings	DM 2,050,-
Total population of redevelopment areas	DM 2,056,-

Source: ASUM 2003: 27 ff., and authors' calculations

Privately financed refurbishment, which in the 1990s accounted for two thirds of the total refurbishment volume and which was continuously on the increase, hence clearly contributed to displacing poorer and larger households, which were replaced by smaller, higher-earning households. The changes already evident in the analysis of socio-structural change in the entire district are reflected here in an even more extreme manner. More generally the data shows a close connection between refurbishment, reinvestment decisions and population dynamics which has often been described in the wider gentrification literature (Berry 1985; Marcuse 1996; Dangschat 1988). Privately financed refurbishment can thus be seen as the segment of the local housing market in which gentrification has occurred in a way which strongly resembles that of accounts in the US.

**FROM PRENZLAUER BERG TO “PRENZLBERG”**

As is well-known from studies of other gentrified areas elsewhere, economic upgrading and changes of the social structure in Prenzlauer Berg have also been accompanied by an unmistakable cultural enthusiasm and an intensive media hype. This new discourse has celebrated the recent changes and challenges the older images of the neighborhood. In the 1990s, Prenzlauer Berg was voted the “funkiest part of town” by the lifestyle media and is currently



regarded as the “liveliest district of Berlin.” Almost all the major German newspapers have published reports on the area, and hardly any Berlin guidebooks can afford not to include a separate chapter on this now “legendary” borough. Local events such as the opening of new bars by local heroes of the area’s bohemian society or the annual Walpurgis Night celebrations receive national media attention and are reported in full detail in the press.

In the 1990s, this cultural boosterism increasingly became the basis for real investments in a “cultural” infrastructure. The blend of cafés, international cuisine, boutiques and delicatessens typical of other gentrified at the global scale can now be found especially around Kollwitzplatz, but recently also on Kastanienallee/Oderberger Straße and Lychener Straße. Prenzlauer Berg has effectively become a brand name which can be found in local names, an apparent aesthetic in the interior design of houses, shops and restaurants. Whereas in the past Berlin pubs were traditionally named after their location (Dunckerquelle, Pappeleck), the cuisine they served (Hackepeter/Steak Tartare) or the principal (Antons Bierstübchen/Anton’s Beer Bar), these days pub names feature intellectual puns and metaphors to appeal to their patrons’ sense of place and consumption of these new spaces (Frida Kahlo, Pasternak, Chagall Nr. 1-3, Bukowski). One doesn’t simply eat and drink on Kollwitzplatz; these days one enjoys the “internationality of Alsatian cuisine” in a restaurant where the US President once dined, the lifestyle of the Russian aristocracy, or the feeling of drinking your beer amidst imagined poets and dissidents.

This infrastructure of “conspicuous consumption” (Beauregard 1986) features a pronounced degree of spatial concentration. With the exception of the area around Hackesche Höfe in Mitte and Simon-Dach-Straße in Friedrichshain, no other place in Berlin contains so many pubs, cafés and restaurants as the area around Kollwitzplatz and its side streets. Figures from the area around Teutoburger Platz, where the pub trade is chiefly concentrated on Oderberger Straße and Kastanienallee, show the seating already almost equals the total population of all ages in the surrounding blocks – and is still rising. Yet just a few streets little is to be seen of this culinary boom. In the blocks surrounding Teutoburger Platz there are just 0.46 pub and restaurant seats per resident, this situation being reflected to the north and south of Lottumstraße and north of Eberswalder Straße.

When considering the expansion of catering outlets over time, terms from the American discussion such as the formation of “waves,” “beachheads” and “frontiers” are encountered (Smith 1992 and 1996; Abu-Lughod 1994b; Smith and Defilippis 1999). Whereas the area around Kollwitzplatz already had large numbers of pubs and restaurants by 1992/93, the roads to the north, east and west of the area (especially Danziger Straße) were for a long time regarded as frontiers which could hardly be crossed, especially by more expensive restaurants; the few attempts which were made went bankrupt or were demolished.

Only recently has this frontier begun to fade, and nowadays restaurants can be found on Helmholtzplatz and on Oderberger Straße/Kastanienallee which do not differ at all from their counterparts on Kollwitzplatz. Kollwitzplatz is now described in listings magazines as humdrum and boring, whereas the adjectives used for Kollwitzplatz five years ago are now being applied to Helmholtzplatz and Oderberger Straße. The new “urban frontier” is the railway embankment; everything beyond it is “Indian territory” (Smith 1996).

## **CONCLUSION: A SIMILAR OR PECULIAR BRAND OF GENTRIFICATION?**

To sum up, the most important points regarding gentrification in Prenzlauer Berg are the following: The stock of old housing in the district experienced a considerable increase in investment in the 1990s. Instead of being concentrated on certain areas, this investment was broadly spread across a large area. As a result of state intervention the rental market is split and the rents paid by both existing and new, privately refurbished and publicly subsidized households differ greatly. Nevertheless locations have emerged where high rents can be expected for a long time to come. The structure of inhabitants has fundamentally changed and is nowadays dominated by singles and DINKs with higher educational qualifications. This trend is especially apparent in buildings refurbished with private capital, where new tenants have a much higher disposable income. Real investment in Prenzlauer Berg was accompanied by the district’s symbolic upgrading. The myth of Prenzlauer Berg led relatively quickly (sometimes even before the buildings had been refurbished) to investment in a “cultural infrastructure” with a pronounced spatial concentration belying its significance as an international destination and aspect of Berlin’s wider cultural capital and caché. All these major trends are absolutely congruent with what is generally considered as gentrification.

Nevertheless, important peculiarities remain. Contrary to traditional reports from the US direct and indirect subsidies resulted in investments being widespread rather than spatially concentrated and the rent increase (at least for existing tenants) is slowed down by a series of regulations. Urban change in Prenzlauer Berg is therefore puzzlingly split. On one hand, in the case of those dwellings where refurbishment is carried out with private money and where the rents for the new tenants are freely negotiated, gentrification and the displacement of poorer households shows classic features in its correspondence with the wider literature. On the other hand, a supply of substandard housing has remained throughout the district for a long period of time which is still being used by lower-income groups. As a result, poorer and wealthier sections of the population are living side by side for a long time, delaying the transition

from a pioneer phase of gentrification. A similar prolonging of this stage is linked to rent control legislation, which provides some protection for poorer households.<sup>2</sup> Spatial form, style and dynamic of gentrification are obviously different from the US or the UK – and the reason for this can be found in the different patterns of homeownership, in subsidies and rent laws. Prenzlauer Berg is thus certainly another case of gentrification; but one of a special kind.

But, if the aim of an analysis of urban change is not only to see whether the empirical reality fits with existing models, but to understand the actual patterns, dynamics and actors of a particular neighborhood, the case also shows very clearly that an understanding of regulatory context is crucial. Trying to relate the case to more general scientific discussions, we thus mainly find implications for production-side arguments. In this respect the case of Prenzlauer Berg demonstrates very clearly that the particular features of a neighborhood cannot be understood without at least some kind of analysis of the reinvestment process on one hand. On the other hand it also points at weaknesses in the current application of this kind of analysis, which often failed to go beyond general arguments and come to terms with the varying conditions under which real housing markets work. In this respect our analysis suggests that production-side arguments should be re-examined at least in two areas. First, the implied assumption that re-investments into the run-down housing stock are mainly conducted because of expectations of rising rents/ housing prices (and that there is therefore a clear link leading from investment to rising prices and displacement) has proved to be simplistic. The reasons why professional landlords took the decision to engage in the renovation of Prenzlauer Bergs dilapidated dwellings was the availability of public subsidies, not because of rents. The theory that gentrification is caused by a rent-/price-/value gap has therefore to be reworked and embedded into a broader perspective. Second, the rental income a particular landlord can extract does not only depend on supply and demand in the housing market, but also on legal frameworks that determine how, where and to what extent rents can be increased. As rising rents are seen as the main reason for the economic displacement of poorer households, which is the essence of gentrification, legal frameworks and the power-relations between landlords and tenants that they provide, should gain more attention.

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**2** | However, as these regulations expire after a certain period, the displacement of these residents is at best only postponed, not cancelled.

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# Berlin on Sale

At around the turn of the millennium, long before many other places in Germany and Europe, Berlin experienced a major economic and financial crisis, including a notorious banking scandal. The phrase “Berlin is poor but sexy,” coined by Mayor Klaus Wowereit from the Social Democrats (SPD) in 2004, hit a particular nerve and soon became an unofficial slogan and marketing tool of the city, printed on T-Shirts, coffee cups and more.

The city state of Berlin has teetered on the edge of bankruptcy for many years. During the 1990s, when the SPD was the junior partner in a coalition government with the Christian Democrats (between 1991 and 2001), they were in charge of a number of contentious and very costly flagship projects: the Potsdamer Platz, the fair extension, the Tiergarten tunnel, the new central train station, the building of huge sports arenas (despite the unsuccessful bid for the Summer Olympics in 2000), and plans for a new highway (*Bundesautobahn 100*), plus the international city airport Berlin-Brandenburg (that has now become famous not for being “Europe’s most modern airport” as advertised but as one of Germany’s failed mega construction projects). In addition to that, the previous local government also actively contributed to Berlin’s ongoing massive financial crisis by allowing a large public banking consortium (*Bankgesellschaft Berlin*) to engage in dubious real estate speculations and almost go bankrupt in 2001. The political decision to bail out the bank cost the city at least 30 billion Euros and increased the individual debt burden of Berliners to about three times the national average. When the Berlin Senate – similar to the mayor of New York City in the late 1970s – asked the federal government in 2002 for more aid to overcome the city’s desperate financial situation, its request was turned down.

From a progressive point of view, it is an irony of history and especially bitter that it was up to a left-leaning local government to take care of the mess after the Conservatives, who had dominated politics in West-Berlin for decades and were the main “culprits,” eventually had lost the majority in parliament. The PDS (the successor of the former SED in the GDR; today The Left Party) that came into power jointly with the SPD in 2001 and governed the city until 2011, not only promised in its election campaign to make Berlin a “social city” but also to fight graft and corruption, doing away with the outmoded policy model and “sleaze” of the old power elites in West Berlin, of

which some were personally involved in the banking scandal. This, however, resulted in throwing the baby out with the bathwater. Not only were key staff and management in many administrations and public companies replaced, including the various municipal housing associations, but the Red-Red government also implemented what some would call necessary consolidation policies in order to save Berlin. These are what others called neoliberal austerity measures at the expense of the local population, focusing on privatization and severe cuts to welfare budgets as well as the public sector. The Berlin Senate e.g. abolished in 2003 all housing related subsidies. One year later, the municipal Co-operative Housing and Building Society (GSW) was sold off to the Wall Street firms Goldman Sachs and Cerberus Capital Management. Public employees were forced to accept wage cuts while schools, hospitals, and kindergartens suffered from understaffing and reduced state funding.

The four articles included in this section all address some aspects of these controversial and, until today, not well-explored policies that had a lasting impact on the urban fabric as well as the economic and social-cultural environment of Berlin. In his paper "City of Talents", first published in 2004, Stefan Krätke, Professor for Economic and Social Geography at the European University Viadrina (Frankfurt/Oder), provides – what was rare at the time – a realistic account of the economic base of the German capital, arguing that the kind of consolidation and entrepreneurial measures implemented in the late 1990s and 2000s were both a threat to the urban living conditions of broad parts of Berlin's population and also to the prospects of Berlin's few growth sectors in the field of knowledge-intensive economic activities.

Sabina Uffer, a young urban researcher, who recently passed her Ph.D. at King's College in London, and Andrej Holm, an urban sociologist at Humboldt University in Berlin, contribute to this more general picture of Berlin's enduring fragile economic situation with a differentiated analysis of the city's housing market developments and gentrification trends. Uffer shows in her article how the large scale privatization of state-owned housing companies and housing estates since the end of the 1990s (aiming to make the highest profit possible in order to close the budget deficit) favored the entrance of big capital and institutional investors over alternative forms of housing providers (such as co-operatives or owner-occupation), therefore creating greater social and spatial inequalities in Berlin. Holm's article provides a refined examination of urban dynamics and upgrading and relocation processes in different inner city areas of Berlin (from Mitte and Prenzlauer Berg to Kreuzberg and Northern Neukölln), and discusses these as a new urban mainstream as well as against the background of the international gentrification debate.

Finally, Ross Beveridge and Matthias Naumann (both urban researchers at the Leibniz Institute for Regional Development and Structural Planning in Erkner) in a very recent account of the sale of Berlin's "silverware" and its contestation (using the partial reversal of the privatization of the Berlin Water Company as a case study) present a slightly more optimistic outlook concerning possible forms of post-neoliberal urban governance in Berlin and beyond. For these two authors and most critical

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urban researches represented in this volume, the main question arising out of the experiences with the particular “unification crisis” (Jürgen Kocka) and the failed economic strategies of the neoliberal era is: what could be alternative and feasible models of urban development and what kind of political coalitions and social movements are necessary to enforce these?



# City of Talents?

## Berlin's Regional Economy, Socio-Spatial Fabric and "Worst Practice" Urban Governance<sup>1</sup>

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*Stefan Krätke*

Berlin appears to be one of the most challenging cases of socio-economic restructuring within the contemporary urban system of Germany (Cochrane and Jonas 1999). "City of talents" represents a new urban marketing formula for Berlin, which draws on the debate on knowledge-based regional development (Cooke 2002) and might touch some of the particularly strong points of Berlin. Furthermore, the notion of a city of talents is related to Richard Florida's recent work on "The Rise of the Creative Class" (Florida 2002). As far as current tendencies of innovation-driven economic restructuring in Western Europe and North America lead to a growing importance of knowledge-intensive economic activities and the related creative forces – e.g. "talented" people in science and research, engineering and design, management and organization, cultural production and the media business – creativity and talent might become a central basis of successful urban development in the future. This might particularly apply to those large cities which are currently suffering from a decline of their traditional industrial base in labor- and technology-intensive economic activities. However, as regards Berlin, the city is home of talents in various fields of social activity: it has a concentration of talented creative people in science and research, in media production and the arts, and it has – last not least – strong talents in corruption and financial self-service in the city's political class.

This article is rooted in a regional political economy approach and shall broadly outline the main tendencies of socio-economic development in Berlin: The first point deals with Berlin's regional economy and the ongoing restructuring process towards a prime location of economic activities which rely on

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**1** | Source: Krätke, S. (2004) City of Talents? Berlin's Regional Economy, Socio-spatial Fabric and "Worst Practice" Urban Governance. *International Journal of Urban and Regional Research* 28.3, 511-529.

the concentration of “creative talent” in the city. The second point highlights some tendencies of socio-spatial polarization in Berlin. The third point focuses on the 1990s’ real estate boom in Berlin, and the fourth point deals with the city’s financial crisis under the heading “worst practice urban governance in the city of talents.” This crisis might be interpreted as the outcome of a particular neoliberal approach of Berlin’s political class and its strong creativity in the field of corruption and “financial self-service.” In the light of the interrelated developments outlined in the paper’s four sections, the Berlin case may offer a place-specific insight into the role of knowledge and creativity resources for urban economic development and the ambiguity of urban “creativity and talent.”

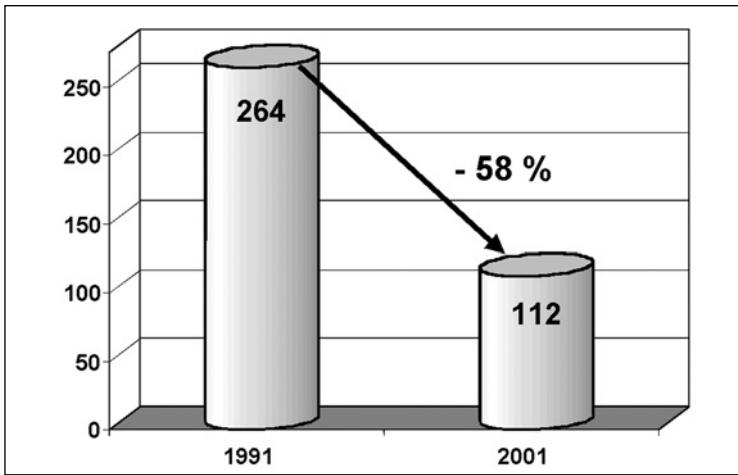
## **BERLIN’S REGIONAL ECONOMY AND ITS POSITION IN THE GERMAN URBAN SYSTEM**

Berlin is the largest city in Germany with 3.4 million inhabitants, and it has more than 4.2 million inhabitants if we include the fringe area of the metropolitan region. Urban marketing specialists are keen to present Berlin as a “metropolis at the heart of Europe” and hence as an ideal springboard for business with East Central Europe. However, Berlin’s regional economy is mostly oriented towards “the West,” and the city is far away from the position of being the central node of new economic relations between the western and the eastern parts of Europe (Krätke 2002c). This might be rooted in the weak points of Berlin’s regional economy, particularly the lack of corporate headquarters and the loss of industrial capacities.

## **DECLINE OF TRADITIONAL INDUSTRIES IN BERLIN**

From 1991 to 2001, Berlin’s industry has lost more than 150,000 jobs; the parallel increase in “service sector” jobs could by far not compensate for this loss of manufacturing jobs. Thus we have growing unemployment of industrial workers in the region. The decline of Berlin as an industrial location is due not only to the closure of production sites in the eastern part of the city, but also to a very large extent to the structural weaknesses of the industries in the western part of the city (Krätke 1999), which for decades used the special Berlin subsidies to expand the assembly line production of simple mass products. The termination of these special Berlin subsidies after 1990 led to factory closures and relocations.

*Figure 1: Berlin's Loss of Manufacturing Jobs  
Employment in manufacturing 1991 and 2001 (thousand employees)*



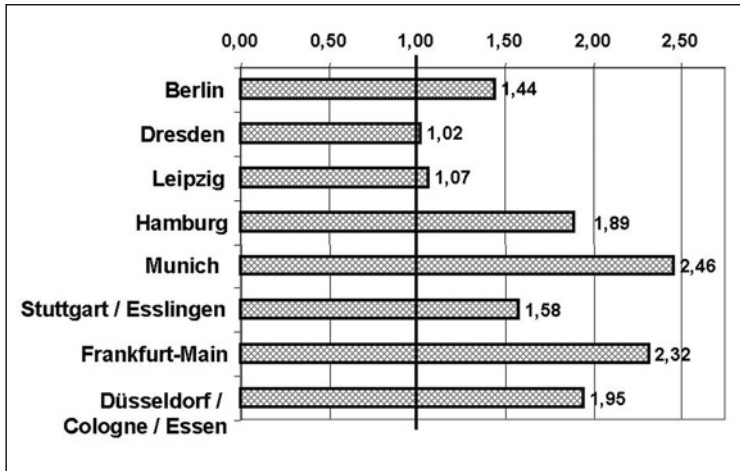
Source: Krätke 2004a

## THE BIG HOPE TO BECOME A MAJOR “SERVICE METROPOLIS” AND HEADQUARTER CITY

A prominent simplistic interpretation of restructuring processes in the Berlin metropolis characterizes the development as a transformation of Berlin's economy to a “service metropolis” (Prognos 1997; Häußermann 1997). This would mean that Berlin experiences a structural adjustment to the “average” economic profile of other large cities/metropolises of the German and European urban system. However, large cities are empirically characterized by major differences in their economic profiles and in the way their regional economies are organized. The different activity profiles determine the development capacities of urban regions. Within the East German economic area and its overall development weakness, Berlin is still a relatively strong “economic island” with good prospects in particular fields of activity, however, the city's function as the new German capital city doesn't lead to the formation of a “service metropolis” with a high grade concentration of advanced producer services. The relative concentration of these functions is much higher in Munich, Frankfurt, Düsseldorf and Hamburg, which are the long established prime centers of advanced producer services in the German regional system.<sup>2</sup>

**2** | The quantitative data on Berlin and selected cities of the German urban system included in figure 2, 3 and 4 are based on the author's research on the economic profiles of German cities (Krätke 2004). This research work analyzed the largest German

*Figure 2: Regional Economic Centers in Germany: Activity Profiles Relative concentration of advanced producer services (without financial sector) in selected urban regions 2002 by location quotients (Germany = 1,00)*



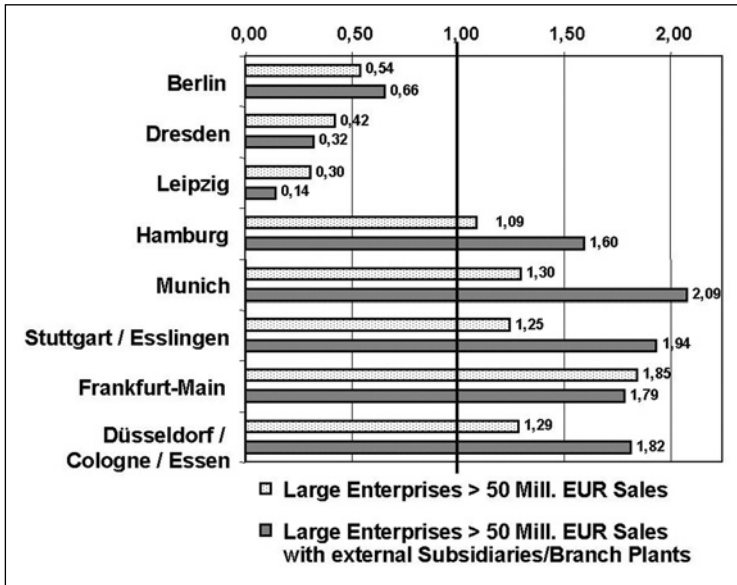
Source: Krätke 2004b

Whether an urban region can be regarded as a strategic economic center is frequently determined by reference to the corporate headquarters it contains. “Headquarter cities” have a high level of centrality in respect of their economic control capacity, which can extend to many other regions (Pred 1977). Berlin suffered an exodus of corporate headquarters in the past following the division of Germany. The city’s new role in the German and European urban framework spawned hopes that it would be able to re-establish its position as an economic center with a high level of centrality in economic terms. Sceptics were pointing out that the newly acquired role of capital city might encourage some prominent national and international companies to set up selected corporate divisions and “second-rank directional centers” in Berlin. As it turns out, only a small number of new headquarters have been located in Berlin since 1990 (Krätke and Borst 2000).

commercial firm data base (Hoppenstedt Firmendatenbank) which covers roughly 150,000 firms. The results are given for the year 2002. This firm data base has no regional bias – all administrative districts of the German regional system (in West and East Germany) are represented according to their share of employment. Furthermore, there is no particular sectoral bias in the data. However, the firms included reveal a relatively strong representation of large corporations and of corporations with supra-regional marketing activity.



Figure 3: Regional Economic Centers in Germany: “Headquarter Cities”  
Relative concentration of large enterprises/external control capacity  
in selected urban regions 2002 by location quotients (Germany = 1,00)



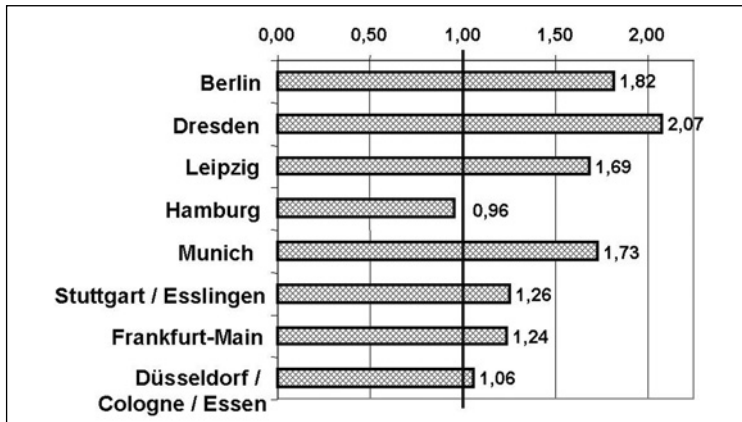
Source: Krätke 2004b

## NEW ISLANDS OF ECONOMIC GROWTH: CLUSTERING OF KNOWLEDGE-INTENSIVE ACTIVITIES IN BERLIN

The above described problematic trends do not represent the whole story of Berlin's economic restructuring process: New islands of economic growth have been developing in Berlin particularly in so-called “knowledge-intensive” and innovation-driven activities like the software industry, biotechnology, medical engineering, pharmaceutical industry, research and development services; additionally, there has been a strong growth in the Berlin media industry which is based on the particularly strong “socio-cultural capital” of Berlin (Krätke 2002a, 2003). The “knowledge-intensive” economic activities cover a slightly broader range of activities than e.g. Howkins' definition of the core industries of the “creative economy” (Howkins 2001). Besides the culture and media industry, the software industry and the R & D-sector, which are included in Howkins' definition, the knowledge-intensive economy would also include a range of R & D-intensive sub-sectors of the manufacturing and the service sector which are concentrating on the creation of new knowledge to be incorporated in innovative products and services.

Among the regional centers of knowledge-intensive economic activities, which cover certain sub-sectors of manufacturing as well as service activity branches – particularly the manufacturing of information and communication technologies, the pharmaceutical industry, biotechnology, medical engineering, measuring and control technologies, the optical industry, the software industry, research and development services – Berlin reveals a quite strong relative concentration (Krätke 2004). In a regionally comparative perspective, the location quotient for knowledge-intensive activity branches in Berlin today even exceeds the value of Munich.

*Figure 4: Regional Economic Centers in Germany: Activity Profiles*  
*Relative concentration of “knowledge-intensive” activity branches*  
*in selected urban regions 2002 by location quotients (Germany = 1,00)*



Source: Krätke 2004b

Related to the concentration of knowledge-intensive activities, Berlin today really has the potential for playing the role of a “city of talents.” However, the region’s potential in science, research and development as well as in the sphere of culture and media has to be maintained and extended, if such a development path shall be strengthened. Richard Florida (2002) has put forward the argument that the companies, the technologies and the venture capital of knowledge-intensive economic activities are moving to or forming in places that have the skilled and talented people. Thus the regionally uneven distribution and growth of the knowledge-intensive activities in favour of selected large cities can be interpreted as an outcome of a place-specific concentration of creative people in science and research, in media production and the arts. The socio-cultural properties which make such places particularly attractive for “the creative class” shall be discussed below in the section on Berlin’s culture and media industry.

At the overall level of uneven urban and regional economic development, the formation of local and regional “clusters” (Braczyk et al. 1999; Porter 2001; Cooke 2002) in terms of the selective concentration of firms and institutions of a particular value chain in certain regions has attracted much attention in recent times. This phenomenon is particularly relevant with regard to metropolitan regions – these might be characterized as “super-clusters” which contain a variety of different clusters, e.g. a clustering of business services, a media industry cluster, various industrial clusters in high technology branches etc. (Scott 2001; Krätke 2004). The regional integration of firms and supporting institutions resulting from dense transaction and communication networks is one of the constitutive elements of clusters and their economic performance in the creation of new jobs and firms (Krätke 2002b). Berlin is a metropolitan region with strong tendencies of cluster formation in the 1990s, and the city has gained a quite strong position in a number of sub-sectors of the so-called “knowledge-intensive” industries which rely on creative knowledge and innovative capacity.

- 1) The most important strength of Berlin lies in the culture and media industries, in which it has reached today the position of a first rank “media city” (Krätke 2002a). The culture and media industries include film production, television and radio, the new media, music production and the performing arts, the publishing trade as well as design agencies and the advertising industry. The Berlin media industry cluster is growing rapidly and comprises more than 7,000 firms today.
- 2) Berlin has a strong position in the software industry, which is defined in German statistics as a “service sector” activity. Berlin is not a production center of micro-electronics and data processing technology (in which Munich holds the leading position) – but in the software industry the Berlin region reveals a high rate of growth and has developed a cluster of more than 1,700 specialized firms.
- 3) Berlin is (besides Munich) a leading center of the European life sciences sector which comprises biotechnology and medical engineering firms. The knowledge-intensive industries of the life-sciences sector reveal a high concentration in the Berlin region with a cluster of more than 300 specialized firms, and these are backed by the strong presence of the pharmaceutical industry and of high ranking centers of medical services and related research institutions. In Berlin, all the particular branches of the contemporary life sciences sector are strongly concentrated.

## BERLIN AS AN UPCOMING MEDIA CITY

The German urban system contains a number of competing “media cities” in terms of large production clusters in the culture and media industries (Krätke 2002a). The leading German media cities are characterized by a concentration of firms and employees in all sub-sectors of the media industry. Among these media cities, Berlin is characterized by a considerable growth in importance during the last ten years, as opposed to its overall weak economic development. Recent reports on Berlin’s media industry recorded a particularly pronounced growth in the sub-sector of multimedia firms and in the music industry. On the background of this growth dynamics, which has been accompanied by the move of leading companies of the music industry like Universal Music to Berlin, the city now is frequently being labelled as the “music capital” of Germany.

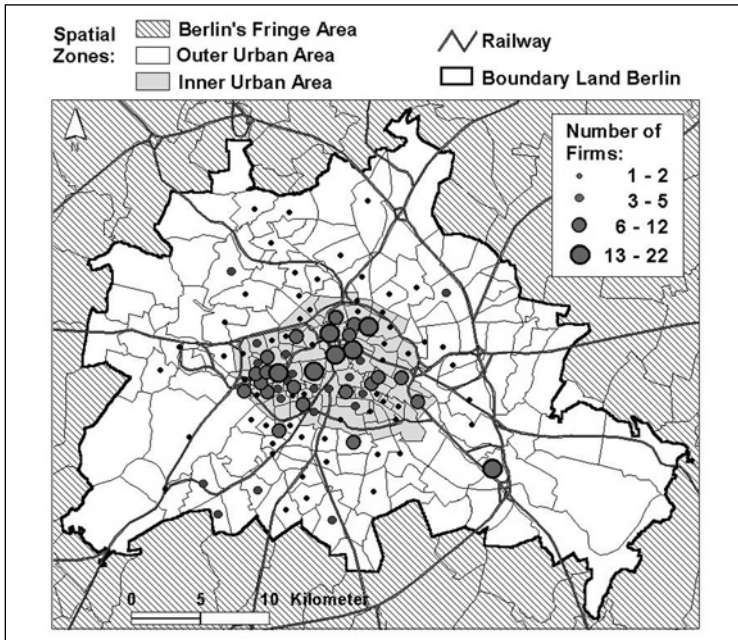
As regards the spatial organization of Berlin’s media industry, the most important characteristic is the formation of local clusters within the inner urban area of the metropolis. The multimedia firms e.g. reveal most obvious local concentrations in the East-Berlin city center, which extend to the inner urban district of Prenzlauer Berg. Within the East-City, multimedia firms are particularly clustering in the Chausseestraße, which in Berlin has got the name “Silicon Alley.” A similar pattern of spatial organization becomes visible in the inner urban local clusters of the music industry (*ibid.*).

The strong growth of Berlin’s culture and media industry cluster is related to the fact that within the German urban system Berlin has regained its position as a prime location of the “creative class” in terms of Florida’s concept (2002). This particular locational factor attracts the music industry as well as other branches of cultural production and the media industry. Furthermore, this attraction power also applies to a whole range of knowledge-intensive industrial activities (like the software industry, the life sciences sector etc.) which rely on creativity in terms of technologically innovative capacity. Florida (2002) emphasizes the socio-cultural properties which make a city like Berlin particularly attractive as a place of living and working for the creative class: “Creative people [...] don’t just cluster where the jobs are. They cluster in places that are centers of creativity and also where they like to live” (Florida 2002: 7). Thus lifestyle attributes of the creative class and a supportive socio-cultural milieu are at the center of a city’s attractiveness to the creative economy. Florida highlights the role of a

“social milieu that is open to all forms of creativity – artistic and cultural as well as technological and economic. This milieu provides the underlying eco-system or habitat in which the multidimensional forms of creativity take root and flourish. By supporting lifestyle and cultural institutions like a cutting-edge music scene or vibrant artistic community, for instance, it helps to attract and stimulate those who create in business and technology. It also facilitates cross-fertilization between and among these forms,

as is evident through history in the rise of creative-content industries from publishing and music to film and video games. The social and cultural milieu also provides a mechanism for attracting new and different kinds of people and facilitating the rapid transmission of knowledge and ideas" (ibid.: 55).

*Figure 5: Berlin's Media Industry Cluster 2000*  
*Locational distribution of multimedia firms*



Source: Krätke 2002a

The place-specific properties of the socio-cultural milieu are being reinforced by the economic and institutional dynamics of cluster building. The development of the Berlin culture and media industry clearly reflects this interplay between specific socio-cultural properties and the forming of clusters within the metropolis' economic space (Krätke 2002a): Most of the newly established media firms prefer to locate in the inner urban districts, because the media industry's creative actors prefer "sexy" inner city locations as the best urban environment for a particular lifestyle which consciously combines working and leisure time activities locally within culturally attractive districts. In Berlin, the creative class seeks out locations in the "sub-culturally" shaped districts that offer the best opportunities and places to meet other creative people; these are also the districts that members of the creative class use as an "extended stage" for self-portrayal in their leisure time. In particular inner urban districts of Berlin there is thus a

direct link between the forming of clusters of creative firms and certain lifestyle forms of the creative class, which leads to a clear overlapping of the creative talents' geographies of production and consumption.

Secondly, the near location of other enterprises active in the same sector is a strong pull factor. The media industry actors are well aware of the potential for cross-fertilization that a local clustering of creative firms can offer. In some local areas of Berlin (e.g. the Spandauer Vorstadt in the Mitte district) the actors might find the whole value chain of a particular media branch being represented by firms within one single building. Additionally, the local clustering can promote communication links between the firms and thus create a "space of opportunities" which is welcomed particularly by the start-up firms that are facing many uncertainties.

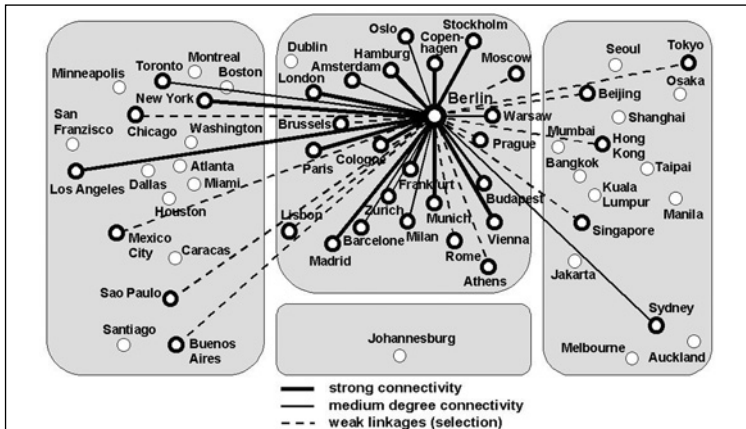
Moreover, the city as a *whole* can become an attraction factor for the media business in that the symbolic quality of the specific location is being incorporated into the products of the culture and media industry (Scott 2000). Hence production locations such as New York, Paris and Berlin are perceived in the sphere of the media as being "brand names" that draw attention to the attractive social and cultural qualities of the cities concerned. This includes, in particular, the perception of the city as a social space in which there is a pronounced variety of different social and cultural milieus. As regards the content and "design" of their products, media firms have to contend with rapidly changing trends (Pratt 2000). For that reason the media firms wish to be near the source of new trends that develop in certain metropolises such as New York, Paris and Berlin.

Cities of this kind are perceived as a living space with a socio-cultural milieu that is marked by great openness and an atmosphere of tolerance. This in turn enhances their attractiveness for creative talents and makes them a source of inspiration for cultural producers etc. A marked social and cultural variety and openness, therefore, represents a specific "cultural capital" of a city, which is highly attractive for the actors of the creative economy. On a local level, this cultural capital of a city might also be characterized as a specific "sub-cultural" capital of particular districts within the city. These thoughts support Florida's thesis that the metropolis' economic growth "is driven by the location choices of creative people – the holders of creative capital – who prefer places that are diverse, tolerant and open to new ideas" (Florida 2002: 223).

Berlin is not only one of the prime media cities of Germany, but also a city which has got a quite strong position as a global media city. The media industry is a prime mover for globalization processes in the urban system, in which media industry clusters act as local nodes in the global networks of the large media groups (Krätke 2002a, 2003). The global media firms have set up globally extending locational networks with "local" anchoring points in different regions and nation-states. An analysis of the location networks of large internationally operating media firms makes it possible to trace the structure of the global

media cities as an interlocking network (Taylor 2004) of media clusters in the same way as global city research has done with regard to advanced producer services (Beaverstock et al. 1999; Taylor and Walker 2001; Taylor et al. 2002). According to the number of global media firms' establishments in the respective city, a rank order of the world cities of the media industry becomes evident (Krätke 2003), which might be divided into three groups ("alpha," "beta" and "gamma" world media cities). Prominent among the top rank group of alpha world media cities are New York, London, Paris and Los Angeles. However, depending on the threshold values' numeric range, the alpha group of global media cities also includes Berlin, Munich and Amsterdam, three cities that in global city research which focuses on advanced producer services are ranked as "third-rate" world cities (Beaverstock et al. 1999). In the system of global media cities, by contrast, Berlin, Munich and Amsterdam might be included in the top group. While Berlin is still not an economic center with global "control capacities," it is a first-rank global media city. Thus we might say that in this particular sub-sector of the economy Berlin can be placed among the leading centers, and its economic development policy can built on this strength.

*Figure 6: Global Media City Berlin: Transnational Linkages of Berlin's Media Industry (based on the resident global media firms' organizational networks in 2001)*



Source: Krätke 2004a

The strong points of Berlin's regional economy described above highlighted the city's renewed role as a major locational center of the creative class in Germany. Today, Berlin has become again a prime center of knowledge-intensive economic activities and the culture and media industry. On this background the city proves to be an attractive location for global players who wish to make use of

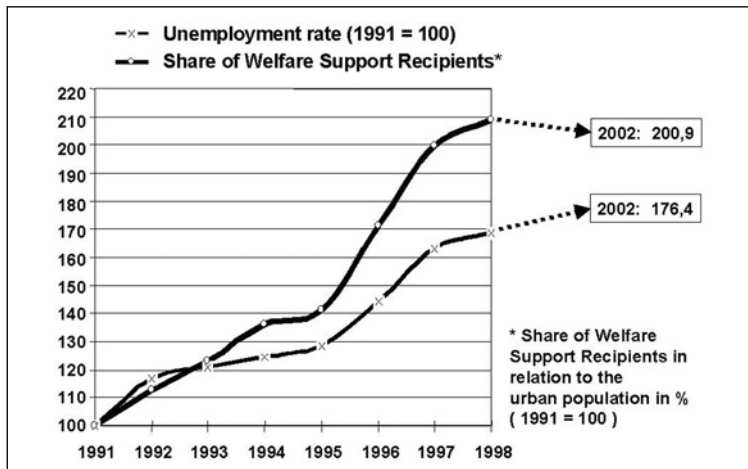
the worldwide selectively concentrated pools of talent in particular sub-sectors of the creative economy. However, the successful development in specific sub-sectors of Berlin's regional economy doesn't compensate for the tremendous loss of jobs in traditional sectors of the regional economy and the related problematic developments in the city's social fabric.

## SOCIO-SPATIAL POLARIZATION IN BERLIN

### Rise of Unemployment and the Spread of Urban Poverty

The decline of Berlin's traditional industries has led to a considerable rise of unemployment and of the number of people dependent on public social assistance. The unemployment rate started from 10 percent in 1991 and reached nearly 19 percent in 2003. The number of people living on public social assistance in Berlin also shows a rapid rise in the 1990s. From 1991 to 2001, the share of welfare recipients in relation to the urban population has doubled. On this background, recent developments of Berlin's socio-spatial structure appear to confirm that Berlin experiences a particularly pronounced development towards a socially polarized city.

Figure 7: Unemployment and Welfare Recipients in Berlin 1991-2002  
(1991 = 100)



Source: Krätke and Borst 2000

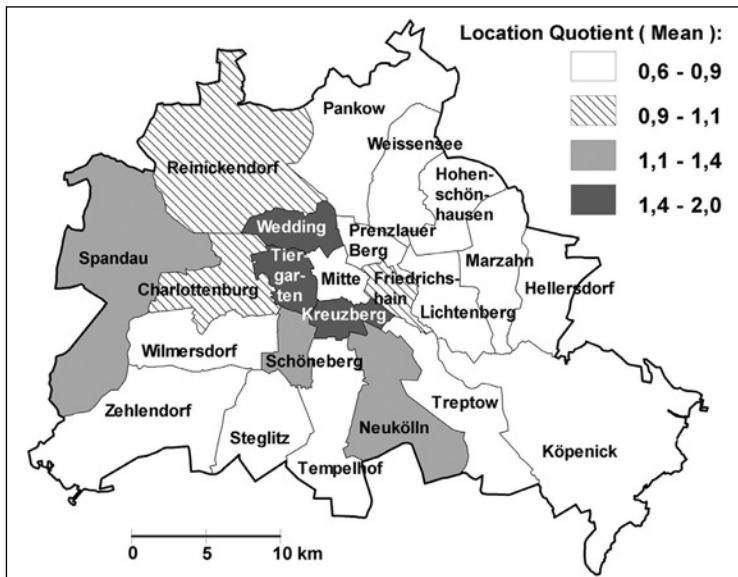


## SPATIAL DISTRIBUTION OF THE URBAN POOR AND THE EXPANSION OF “NEW URBAN SCENE” DISTRICTS

The “losers” of economic restructuring are unevenly distributed within the urban spatial fabric (Hermann et al. 1998; Krätke and Borst 2000; Farwick 2001; Kapphan 2002). In contrast to the situation e.g. in Paris, it is interesting to note that in Berlin there is a socio-spatial concentration of unemployed people, of low incomes, and of persons dependent on public social assistance in the inner urban districts of the metropolis. Furthermore, the losers are predominantly concentrated in the inner urban districts of West-Berlin, namely the traditional industrial workers’ districts like Wedding, Tiergarten and Kreuzberg. In terms of the socio-spatial fabric, some districts in the city’s Western part are facing the most spectacular concentration of social problems. A symbolic policy of “local area management” has been introduced in order to support localities with the most striking socio-spatial decline, but this approach doesn’t really touch the city’s socio-economic development condition which lies at the heart of the spread of urban poverty (Krätke and Borst 2000).

Figure 8: Socio-spatial Polarization in Berlin 1997

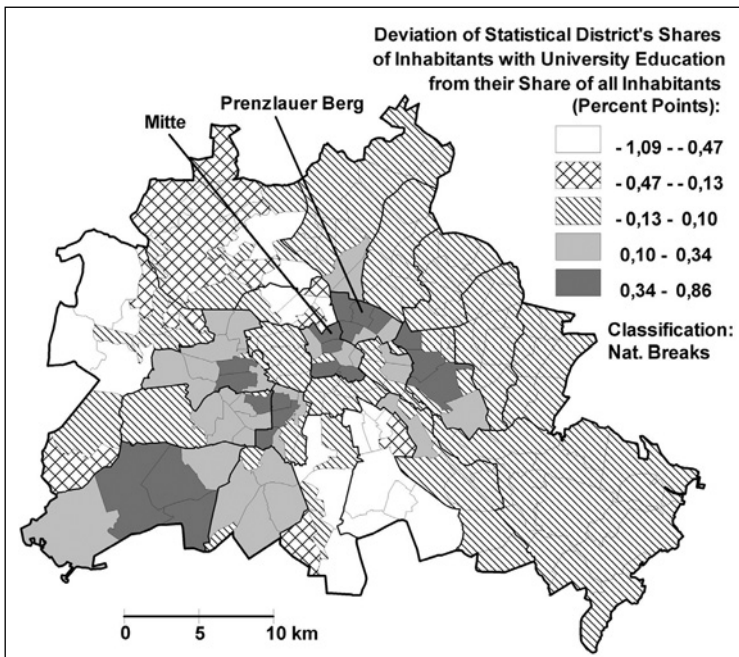
*Urban districts with a concentration of unemployed, welfare recipients, families with low income, immigrants, and inhabitants without professional training*



Source: Krätke and Borst 2000

Whereas the urban poor are mostly concentrating in the inner urban districts of West-Berlin, other inner urban districts are becoming more and more attractive to “new urban scenes” and are subject to a process of gentrification (Smith and Williams 1986; Friedrichs and Kecskes 1996). The most obvious case is the district of Prenzlauer Berg adjacent to the Eastern city center (Rada 1997; Gude et al. 1999; Krätke and Borst 2000). One out of several relevant indicators of the ongoing gentrification process in this area is the relative concentration of people with higher education (see Figure 9). A further candidate district for gentrification is the adjacent inner urban district of Friedrichshain, which today seems to move into the “pioneering phase” of a future gentrification. It is worth to note that the concentration of the creative class in Berlin is contributing to the gentrification processes in the above mentioned districts, since the members of the creative class are keen to live and work in exactly these inner urban districts, which offer the most inspiring socio-cultural milieu for creative work and the lifestyle of new urban scenes.

*Figure 9: Socio-spatial Polarization in Berlin 1997*  
*Spatial distribution of inhabitants with university education*

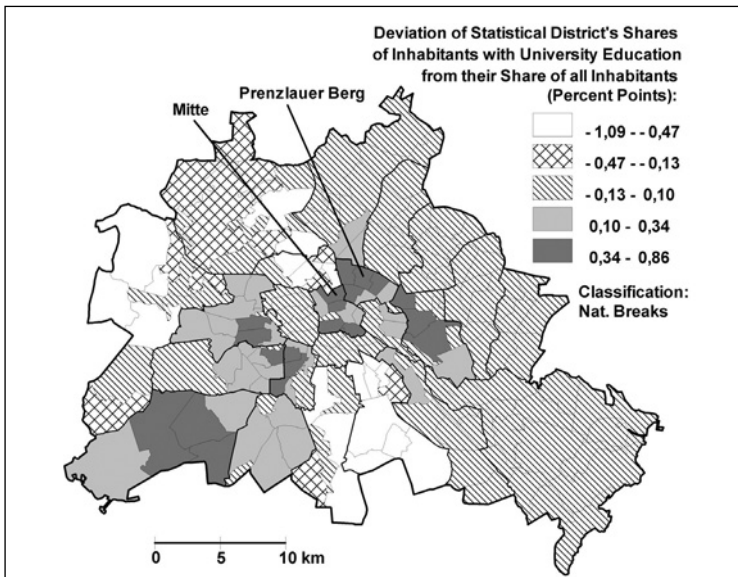


Source: Krätke and Borst 2000

## SOCIO-SPATIAL SEGREGATION: PERSISTENCE OF A MULTIPLY DIVIDED CITY

Socio-spatial segregation in Berlin, as measured by the so-called “index of segregation” (Duncan and Duncan 1955; Harth et al. 1998) concerning per capita incomes, education levels, and economic positions, reveals that West-Berlin has a much higher level of segregation than the cities’ Eastern part, except the segregation between different nationalities (Krätke and Borst 2000). Thus Berlin is still a divided city with respect to the different socio-spatial fabric of its western and eastern parts. In the future we might expect that East Berlin is developing levels of socio-spatial segregation like the western parts of the city. Even if the actual extent of the social divisions in Berlin cannot readily be compared with the situation in cities like New York and Los Angeles, the Berlin metropolis is on the path towards developing a more pronounced polarization of its social fabric. In terms of the urban social fabric Berlin is a globalizing city (Marcuse and van Kempen 2000) with an internationally mixed population as well as a city with growing socio-spatial divisions. It is quite a problematic challenge to get the socio-spatial divides of a global city without getting the economic power of a global city.

*Figure 10: Socio-spatial Segregation in Berlin (West and East) 1997*  
Index of segregation/dissimilarity: nationality, income, education,  
professional status



Source: Krätke and Borst 2000

## **THE 1990'S REAL ESTATE BOOM: THE POLITICALLY DRIVEN REAL ESTATE BOOM IN BERLIN AND EAST GERMANY**

Since 1990, Berlin has been a prime playground for the creative activities of professional subsidy hunters in the real estate business. In the course of German reunification, large national and international real estate firms expected a continuous growth of demand for new office and commercial space in the metropolitan centers of the German urban system. A wave of real estate acquisition, conversion, and large scale building projects covered particularly the East German cities and regions, since the German state introduced a special subsidy regulation for real estate investments in East Germany which contained a very favourable tax write-off scheme (Krätke and Borst 2000). This incentive combined perfectly with the urban governments' belief that office building sites are a sign of economic progress and a promising future of the respective city. Thus urban governments in East Germany agreed to new office projects of any size and numbers, and – as we came to know recently – in the case of Berlin, the city's own financial corporation actively took part in large scale speculative real estate investments in East Germany. Within four years, that is from 1993 onwards, the speculative real estate boom in East German cities turned into a real estate market crisis with large quantities of unoccupied new office space and a quite strong decrease of rents for new office space.

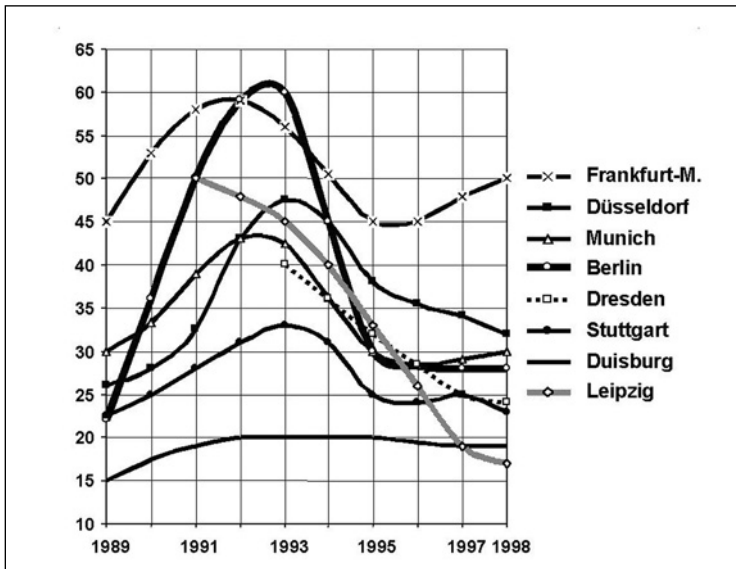
## **OFFICE BUILDING BOOM: THE MAKING OF GERMANY'S LARGEST PILE OF UNOCCUPIED OFFICE SPACE**

From 1990 to 1998, nearly 7 million square meters of new office space were built in Berlin, of which the largest share was concentrated in the city's inner urban area (Krätke and Borst 2000). Outstanding concentrations of building activity have been recorded particularly for the East Berlin city center (in the Mitte district) and the well known Potsdamer Platz area (Senat Berlin 1998), where "poor" large corporations like Daimler-Chrysler and Sony could manage to acquire the sites with an extraordinarily high price subsidy from the Berlin government, and where the developers implanted a US-American commercial city complex in the city of Berlin. In the early 1990s, the Berlin government had declared that the city would face a "need" to increase the supply of office space by 11 million square meters up to the year 2010 in order to convert the city into a major "service metropolis." Thus the speculative office building boom got strongest support, and there was an interplay of legal as well as criminal activities to push the projects forward. Besides corruption and murder within the professional real estate scene, the Berlin government proved to be highly talented and creative in developing particular instruments to prevent any

public control of the project developments in central parts of Berlin's City East (Lenhart 2001).

In the upturn phase of the real estate boom, Berlin and Leipzig revealed a price level in office rents that exceeded the rent prices of Munich and Düsseldorf, and on the top of the boom phase in 1993, Berlin even recorded higher office rent prices than Frankfurt-Main, the long established price leader of the German urban system. The following downturn phase was particularly pronounced in the East German cities: in 1998, e.g. the city of Leipzig recorded a 32 percent rate of unoccupied office space and office rent levels fell below the level of Duisburg, a traditional industrial city of the Ruhr region (see Figure 11).

*Figure 11: Office Rents in Selected German Cities 1989-1998  
(in DM/sq.m./monthly for new office buildings)*



Source: Krätke and Borst 2000

In the course of the real estate boom, Berlin built up the largest pile of unoccupied office space in absolute figures, with more than 1.5 million square meters of unoccupied office space in 1998 (Krätke and Borst 2000). This figure only fell slightly in the following years, and today there is still a huge amount of more than 1.2 million square meters of unoccupied office space in the city. On the basis of the above mentioned special tax write-off scheme for real estate investments, the speculative bubble in East Germany has contributed to a considerable degree to a shrinking of public authorities' tax income (DIW 1997).

The public authorities' reactive policy to prevent growing financial deficits is concentrating on cuts in public services and social expenditure.

## **“WORST PRACTICE” URBAN GOVERNANCE IN THE CITY OF TALENTS**

We might say that Berlin's economic policy in the 1990s is an outstanding example of “worst practice” urban governance, since it has led to a financial crisis with really catastrophic effects. This crisis has been actively produced in the former urban government's period, where the Christian Democrats and the Social Democrats together had formed a coalition of the two largest political parties. After the outbreak of the financial crisis, a new coalition government has been formed by the Social Democrats and the Party of Democratic Socialism. The Social Democrats managed to hide their share of responsibility for the crisis. Now this new Berlin government tries to consolidate the city's financial situation by severe cuts in social expenditure and public services, particularly in schools, universities and public medical centers. Additionally, the diverse local culture initiatives and scenes which are functioning as a base of the city's cultural creativity outside the commercial sector of cultural production are losing most of their public financial support. The current financial policy threatens the urban living conditions of broad parts of Berlin's population, and it might also damage the prospects of Berlin's few growth sectors in the field of knowledge-intensive economic activities.

## **TALENTS OF SELF-SERVICE: BERLIN'S POLITICAL CLASS AND THE MAKING OF A FINANCIAL CRISIS**

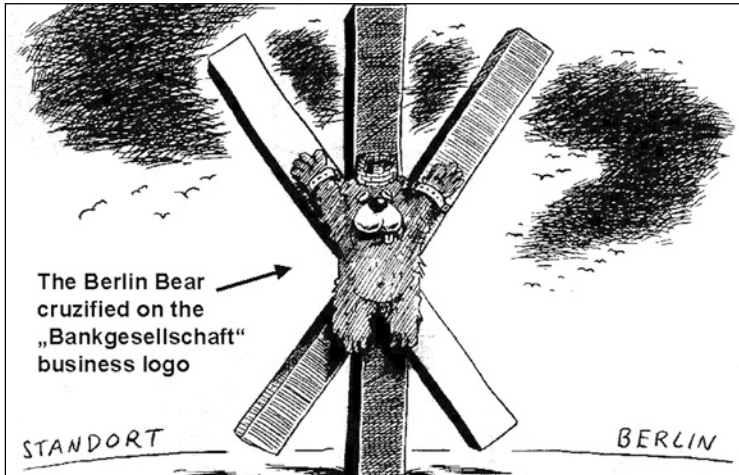
The financial crisis has been actively produced by the former urban government in setting up a large public financial corporation (the *Bankgesellschaft Berlin*) which engaged in speculative real estate bonds related to investments in East German housing and commercial estates. This business policy failed, leaving the city with an unexpected financial burden of 30-35 billions of Euro. Thus the major part of the city's total debt burden, which amounts to roughly 50 billions of Euros today, represents the social cost of the real estate and bank business of Berlin's politicians. Note that the *Bankgesellschaft Berlin* created also some real estate bonds that have been offered exclusively to so-called “prominent” citizens, particularly to well-known representatives of Berlin's political class and the urban government. Even today members of the Berlin political class are continuing to make a private profit from these speculative real estate bonds which have got a public guarantee of profits. There was public opposition

against this, but the current urban government decided not to close the run-down Bankgesellschaft. Instead, it released a legal regulation called the *Risiko-Abschirmungs-Gesetz* (in a free translation one might call it the “risk prevention law”) which loads the financial risks of the *Bankgesellschaft* and its speculative bonds on the city and the Berlin citizens. Indirectly, this regulation makes sure that income from the speculative real estate bonds continues to flow to the above mentioned prominent citizens and politicians. In 2002, the urban government let the Berlin citizens pay 1.75 billion Euros to prevent the immediate financial breakdown of the *Bankgesellschaft*. Within the next 25 years, Berlin’s citizens will have to pay 6.4 billion Euros to cover the financial risks stemming from the real estate bonds of the *Bankgesellschaft*, and this money partly flows to the above mentioned Berlin politicians who own such bonds. Additionally, the Berlin government has fixed 21.6 billion Euros over the next 20 years to cover the “risk prevention” for the former business practice of the *Bankgesellschaft* (including the high cost of corruption in favour of the managers and politicians involved). All in all, the financial loss amounts to a total sum which is twice the yearly public budget of the whole city of Berlin.

In a broader view, the speculative financial activities of the *Bankgesellschaft* and the related policy are resulting from the ideological concept of a metropolitan urban economy which bets on financial investments and deals including real estate business. This kind of metropolitan urban economy has got the strongest support by Berlin’s political class which used to confuse regional economic development with finance and real estate business and actively took part in these activities. Furthermore, the concept of a metropolitan economy which bets on financial juggling and real estate business with active participation of public financial corporations whose business policy is consciously being kept free of public democratic control is deeply rooted in a neoliberal approach to urban governance (Brenner and Theodore 2002). The unleashing of market forces and the local state’s active participation in (quasi) private business lies at the heart of this approach. In Berlin, this approach has privileged specifically the real estate business and related speculative activities. This kind of “entrepreneurial” local state has led to the city’s financial collapse and the threatening of Berlin’s future development chances.

*Figure 12: Berlin as a Hostage of its Political Class*

*The impact of the Bankgesellschaft crisis and the concept of a metropolitan urban economy based on financial juggling and real estate speculation*



It has been established above that Berlin has a comparatively strong position in several sub-sectors of the so-called knowledge-intensive industries (which include the “creative economy”): These are particularly the media industry, the software industry and the life sciences sector. These new islands of growth might become a possible focus of the region’s economic development policy. All in all, the creative economy and the broader range of knowledge-intensive economic activities do make a quite high contribution to the region’s labor market. Particularly the life sciences sector’s impact on Berlin’s future economic development could be much higher if all the medical research activities and advanced health services would be included in this cluster. This would mean to concentrate on the development of a “regional center of competence in health services” which comprises not only biotechnology and medical engineering, but also medical research and health services. Besides the overall concentration of public and private R & D institutions and the culture and media industry in Berlin, the life sciences sector is a real strong point of Berlin’s regional economy. However, this sector’s prospects are being threatened by the new Berlin government’s intention to make severe cuts in the funding of the city’s large public medical research centers as part of a policy which deals with the city’s extreme financial crisis in a very short-sighted manner.

As regards the Berlin media industry, its growth dynamics stems to a large extent from the city’s “cultural capital” (Krätke 2002a) and from its locational attractiveness in terms of being a prime center *in all* of the cultural economy’s



activities, which can't be reduced to the media industry's technology-intensive activities. Since the Berlin government holds on to a technology-centered vision of urban economic fortunes (Senat Berlin 1999; Krätke and Borst 2000), it only recognizes the technologically innovative sub-sectors of the media industry like multimedia firms as strong points of Berlin's economy. From a broader perspective on the city's cultural economy, other important actors of the region's cultural production cluster such as the large number of creativity boosting cultural establishments are being threatened today by the urban government's policy of sharp financial cuts in order to deal with Berlin's financial crisis. This financial policy also affects the Berlin universities in a quite destructive manner. Today, the financial collapse is directly damaging the city's science base – particularly the public education and research institutions – and indirectly threatening the prospects of Berlin's innovative clusters and the city's most dynamic fields of economic activity: the current urban government's financial policy is undermining the city's real economic capacities in knowledge- and innovation-intensive fields of activity. Thus the notion of a worst practice urban governance does not only apply to the period in which the city's financial collapse has been “produced,” but also to the urban government's current approach to “managing” the financial crisis at the expense of the Berlin citizens and the prospects of the city's few islands of growth in the creative economy and other knowledge-intensive activity branches.

Altogether, there are many reasons for a strategic re-orientation of Berlin's economic development policy. Such a re-orientation is being hindered by the catastrophic effects of Berlin's financial crisis. In a nutshell, Berlin's political class represented the “city of talents” with strong talents in corruption and self-service mentality, and the current urban government's financial policy is damaging the city's real economic capacities in knowledge- and innovation-intensive fields of activity. The future prospects of a metropolis like Berlin depend on the *quality* of the city's development strategies. In view of the particular kind of talent and mentality of Berlin's political class, the prospects for high quality urban governance in the fields of economic, social and cultural development are not as good as the citizens of Berlin would like to expect.

## CONCLUSION

In theoretical terms, the case study on Berlin demonstrates that knowledge-intensive activities and the creative economy are a most important resource of urban economic development. However, a flourishing creative and knowledge economy is based on place-specific socio-cultural milieus which positively combine with the dynamics of cluster formation within the urban economic space. Creativity and talent thus depend on the dynamic interplay of

economic, socio-cultural and spatial factors, and might become a central basis of successful urban development in the future. This might particularly apply to those large cities which are currently suffering from a decline of their traditional industrial base in labour- and technology-intensive economic activities. With regard to the specific socio-cultural base of the creative and knowledge economy, the concentration of knowledge-intensive activity and creative forces within the urban and regional system is highly selective, so that only a certain number of particular cities and metropolises (i.e. those with “attractive” socio-cultural properties) can draw on the creative economy as a focus of their development strategy.

At the same time, the Berlin case study demonstrates the ambiguity of the notion of creativity and talent: “Talented people” may also function as developers of weapons of mass destruction, or as creators of economically and financially destructive policies etc. “Creativity” can be directed in socially and economically productive efforts as well as in socially negative and economically destructive activities. Within a particular city or region, both extremes of creative action might be followed at the same time by different social actors. The outcome will depend on the balance of these forces. The Berlin case makes clear that the creative potential of its political class has been concentrated on financial self-service and the creation of instruments for an unleashed real estate business with active participation of public financial corporations. This “worst practice” urban governance not only led to the city’s financial breakdown, but turns out to become a threat to the development prospects of the city’s strong points which are evident particularly in the concentration of creative talents in diverse sub-sectors of the “creative economy” and further knowledge-intensive activities. Here we might draw the conclusion that a city needs coherence of its creative potential in terms of a socially productive interplay between the economic, social and political actors. This would be a prerequisite for high quality urban governance and a development strategy which bets on the urban economy’s strong points and consciously supports the related socio-cultural factors of urban economic development.

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# The Uneven Development of Berlin's Housing Provision

Institutional Investment and Its Consequences  
on the City and Its Tenants<sup>1</sup>

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*Sabina Uffer*

## INTRODUCTION

Following reunification, the decision to re-establish Berlin as Germany's capital created expectations that the city could become another nodal point for the European or global economy. Anticipating Berlin (re-)acquisition of world city status, developers, expecting a growing demand for office and commercial space, considered the city an excellent investment opportunity (Cochrane and Jonas 1999). This created, in the early 1990s, what Strom (2001: 7) called a "gold rush mentality." At the same time, Berlin's government invested heavily into the construction and modernization of the city's housing stock, especially in East Berlin. The government promoted the construction of both new social and private housing with subsidies and tax deductions. The growth expectations for Berlin, however, were exaggerated, and the city soon struggled with increasing financial difficulties due to political, economic, and demographic changes. In 1995, Berlin had a debt of around 23 billion Euros that was rapidly increasing (Senatsverwaltung für Finanzen 2010).

Within this context, the government radically changed its housing provision strategy. Housing in Berlin was traditionally provided by either small private landlords or by non-profit housing companies that worked under the principle of the "common public interest" (*Gemeinnützigkeit*). These companies were owned by churches, unionized companies, housing co-operatives, and in large part by the state. The portfolio of Berlin's state-owned housing companies con-

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**1** | Source: Uffer, S. (2013) Wohnungsprivatisierung in Berlin. Investitionsstrategien und ihre Konsequenzen für die Stadt und ihre Bewohner. In Holm, A. (ed.) *Reclaim Berlin. Soziale Kämpfe in der neoliberalen Stadt*. Assoziation A, Berlin/Hamburg, forthcoming.

sisted predominantly of modernist housing estates built in the 1920s and 1930s and of post-war developments built from the 1950s onwards. The state-owned housing companies however also acquired some late 19<sup>th</sup>-century block developments in order to renovate them. After reunification, the housing stock built under the German Democratic Republic (GDR) regime was passed into the ownership of newly created state-owned housing companies, rapidly expanding the state-owned housing stock. In 1991, after reunification, Berlin owned a total of 19 housing companies, and through them 28 percent of Berlin's 1.72 million housing units (Senatsverwaltung für Stadtentwicklung 2002). Starting in 1995, Berlin's government began to privatize the state-owned housing stock, reducing it to 15.8 percent by the end of 2008 (Investitionsbank Berlin 2010).

Exacerbated by the state's withdrawal from housing provision (e.g. abandonment of social housing construction, reduction of housing allowance), the privatization of state-owned housing had significant consequences on Berlin's urban development, its housing, and its tenants. This chapter investigates these consequences by asking how the privatization led to increasing socio-spatial inequality. First, the chapter argues that the government's privatization strategy favored the entrance of institutional investors over alternative housing providers. Second, it shows how these investors have re-shaped Berlin's housing market by selectively upgrading some inner-city neighborhoods on the one hand and contributed to a deteriorating housing quality for socially disadvantaged tenants on the other.

## **PRIVATIZATION OF STATE-OWNED HOUSING AND THE ENTRANCE OF INSTITUTIONAL INVESTORS**

When Berlin's government started to privatize its state-owned housing stock in the mid-1990s, it instructed the state-owned housing companies to sell 15 percent of its stock, preferably to its tenants. This however turned out to be more difficult than expected. In former East Berlin, privatization happened relatively quickly; 80 percent of the privatized units went to institutional investors and only a few were sold to existing tenants. In former West Berlin by contrast, privatization went slowly, but 75 percent of the privatized units were sold to existing tenants (Senatsverwaltung für Stadtentwicklung 2002). Since the emphasis of the privatization process was on generating the highest possible income in the shortest possible amount of time, the government accelerated the privatization process between 1998 and 2007 when it sold two of its housing companies owning approximately 40,000 and 60,000 units respectively. In addition, state-owned housing companies sold entire housing estates en bloc.

Thus, in contrast to privatization processes in other European countries, where privatization predominantly promoted the increase in owner-occupa-

tion, such as the right-to-buy policy in the UK (Murie 1976), or the promotion of home ownership in the Netherlands (Aalbers 2004), Berlin's privatization process happened foremost *en bloc*. This affected who was willing and able to buy the housing stock. The *en bloc* selling promoted institutional investors as purchasers for several reasons. Only institutional investors have the financial capacity to provide the necessary equity for *en bloc* purchases. The fact that the government wanted to make the highest profit possible reinforced the institutional investors' position vis-à-vis other possible purchasers, since they could bid higher than other forms of ownership with lower access to capital such as, for example, housing co-operatives. At the same time, institutional investors are particularly interested in buying an entire housing company or an entire estate. On the one hand, buying entire housing companies or housing estates, they could negotiate discount prices for the individual housing units (see also Holm 2010). On the other hand, it was an opportunity to increase management efficiency through economies of scale. Institutional investors do not have an interest in buying a single apartment, because it would not be worth the effort. Being able to buy a housing estate, institutional investors saw an opportunity to efficiently modernize and manage the housing units.

The entrance of institutional investors into Berlin's housing market was also triggered by changes in global financial markets. After the stock market crash in 2000, most central banks in developed countries drastically decreased interest rates, flooding "their economies with more financial liquidity, in order to prevent recessions" (Downs 2009: 8). In this financial environment, real estate increasingly became a target for financial investors for two main reasons: First, the profitability of real estate is "greatest when interest rates are low and money can be borrowed easily" (Downs 2009: 8) which was the case at the time. Second, because financial investors suffered "from excessive exposure to the volatile technology market" in the late 1990s (Falzon et al. 2003: 68), they increasingly turned towards the supposedly "safe harbor" of real estate (Winograd 2004: 200; see also Rottke 2004). The *en bloc* privatization in Berlin happened exactly at a time when financial investors entered real estate markets, matching these investors' demand. The combination of the effects of local regulation and global accumulation strategies created the perfect storm. The process of privatization was therefore accelerated by the global economic conditions at the time. The specific conditions of the local housing market, however, influenced the way financial investors operated in Berlin's housing market.

## **INSTITUTIONAL INVESTORS IN BERLIN'S HOUSING MARKET**

In Berlin's housing market, institutional investment has primarily taken place via real estate private equity funds. The hybrid of real estate and private equity

presents a good investment opportunity since it combines the relative stability of real estate with the “opportunity for high degrees of value creation” in private equity (Falzon et al. 2003: 78). Investment banks, investment houses or other real estate players create and manage funds by collecting money from institutional investors (Linneman 2004). Investment banks often also contribute equity to the fund in order to stimulate the confidence of institutional investors (Rottke 2004). With credit capital from a bank, these funds then invest directly in real estate like housing estates or indirectly through shareholding of housing companies.

A central strategy for investors is to enter the market at the right time, when there is an expectation to increase yields by upward rents on the capital investment. This means that the optimal entry point occurs when prices are lowest and are due to rise, using inequalities in the real estate market cycle (Rottke 2004). Investors speculated on Berlin as a rising housing market despite the general macro-economic situation not being very favorable at the beginning of the 2000s with a stagnating economy including high unemployment rates and little purchasing power. In 2004, 17.7 percent of Berlin’s population was still unemployed (Amt für Statistik Berlin-Brandenburg 2009). The income of Berlin’s population, an average of 15,000 Euros per person per year, is significantly lower than in other German cities (Investitionsbank Berlin 2009).<sup>2</sup> Moreover, income levels have not increased significantly over the last ten years.

This speculation on a rising market was propelled by several factors: First, low rent levels combined with a relatively high fluctuation rate of 9.4 percent in 2003 (Senatsverwaltung für Stadtentwicklung 2005) was considered interesting; it was an opportunity to increase rent levels through modernization. Second, the extreme predominance of a rental market created hopes for the potential increase in owner-occupation through the re-selling of single housing units. And third, because there was no new construction,<sup>3</sup> the expectation was that the supply could not keep up with the anticipated demand. The expected rise in demand for housing was, however, not the only factor motivating investors.

While at the end of the 1990s, investment was still made primarily by German investment firms, Berlin’s housing market experienced a veritable hype from 2004 onwards when one of the world’s leading investment firms entered the market and created a herd-like movement of international investment

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**2** | Hamburg 24,000 Euros; Munich 22,000 Euros; Germany 18,000 Euros (Investitionsbank Berlin 2009).

**3** | While from the early until the mid-1990s, approximately 12,000 housing units were built a year, only approximately 3,600 housing units a year were built between 2005 and 2008. This is approximately 0.2 percent of Berlin’s housing stock with 1.89 million dwellings (Investitionsbank Berlin 2010).



firms. The investment hype fostered self-reinforced speculation to make capital gains because the demand for buying real estate was higher than the offer. For these investors, the demand for the use of housing did not play a significant role. More importantly, it was the availability of cheap credit capital that fostered the increase in price speculation. Specific housing market conditions such as vacancy rates were therefore mostly irrelevant. The projected return was therefore simply a speculation on the increase of value due to an increasing demand for investment.

## **STRATEGIES OF INVESTORS AND THEIR CONSEQUENCES ON BERLIN'S HOUSING MARKET**

The real estate industry (see, for example, Rottke 2004; Falzon et al. 2003) theoretically distinguishes different types of real estate private equity funds based on the target return coupled with the degree of risk involved. In reality, the different investment strategies are not as easily distinguishable. Fund managers adjusted their strategies according to the prevailing market situation. In order to understand the various consequences that different investment strategies had on Berlin's housing provision, the following section distinguishes between two different strategies that could be observed among funds operating in Berlin's housing market during 2008 and 2009: funds with a value added strategy and funds with an opportunistic strategy.

### **THE VALUE ADDED STRATEGY**

Funds with a value added strategy are generally following a middle range risk strategy, financing their investment with up to 70 percent equity. Pursuing yearly returns of 10-15 percent of equity invested, value added investment funds optimize their rental income through the appreciation of property with development potential to rent or sell the property at a higher price (Brueggeman and Fisher 2008). Property has development potential if the incoming cash flow (i.e. rent, government subsidies) is greater than the funding costs (i.e. interest rates on borrowing) and management costs; or if the potential profit when selling the housing is judged to be high enough. The determining factors for this evaluation are the location and the quality of the housing, the tenure structure and the credit conditions (Whitehead 1999).

Funds, which bought housing in Berlin with the aim to create added value, cherry-picked housing estates with development potential. This was perfectly logical and sensible from their point of view and Berlin's housing market offered the conditions to do so. Value added investment funds selected good qual-

ity housing estates in attractive locations for their investment, predominantly in late 19<sup>th</sup>-century block developments and housing estates from the 1920s and 1930s. The rent gap between the existing rent level and the possible rent increase after modernization or refurbishment shaped the investment decision. A principal of an investment firm described the selection process for investment:

“We look where in the city we invest. We look if it is centrally located, how good the infrastructure is, and if there is a potential for increasing the rent level. We only invest in the property if we know that we can realize higher rents afterwards.” (Principal of an investment firm)

In the cases where the investment fund bought an entire state-owned housing company, it inevitably also acquired housing with less or no development potential. In these cases, the value added funds divested the housing units without development potential. The portfolio manager of a privatized company confirmed this selective portfolio strategy, illustrating the influence of the physical outcome and the rent levels for the different types of housing:

“We clearly invest in a way to make capital improvements. This means, we increase the rent levels, we lower the vacancy rates and we invest where we see potential for appreciation and divest where there is no potential for appreciation.” (Portfolio manager of a private housing company)

The value added funds therefore sold post-war high-rise developments in disadvantaged or unpopular areas where investment costs were often deemed too high for making capital improvements. The value added strategy had also consequences on the management and exchange of housing.

### **Reducing Management Costs**

In order to increase cash flow from rental income, value added investment funds optimize management of the housing by creating efficiency models. This can be achieved by reorganizing the management, such as through more flexible working contracts for the employees within the housing company and reducing tenant services. This is evident in cases where funds bought an entire housing company and “also own the claim on the creativity and execution skills of the people at the company” (Linneman 2004: 115; Rottke 2004), meaning that the fund has the ability to take over the team, restructure it, or make it redundant.

Restructuring of personnel could especially be observed when the second state-owned housing company was privatized in 2004. Shortly after its privatization, the housing company had undergone major restructuring of personnel;

the new board of directors exchanged managers and a new wage model was introduced, promoting flexible work hours (Holm 2010). The same mechanism also took place in the cases where the state-owned housing companies privatized an estate and the state-owned housing company transferred the management team for the particular estate along with the estate.

The reduction of personnel within the housing companies created a deterioration vis-à-vis customer liaison and support. Traditionally, tenants had a direct link to the state-owned housing company that was on-site with a service center. The privatized housing companies have centralized the service centers or reduced their business hours. Increasingly, the tenant organization received complaints from tenants.

"The reduction of access for tenants has been taken negatively by tenants. It has to be said that the state-owned housing companies were also not optimal in their management. However, the service has definitely deteriorated [with the privatization]. That is obvious, because the housing company has reduced the personnel and has rented out the former service centers to generate more income through commercial rents." (Deputy managing director of an umbrella tenant organization)

The reduction of services also affected the privatized companies' commitment to support the neighborhood and its activities. While state-owned housing companies had a long tradition of supporting and initiating neighborhood activities, privatized companies often no longer felt responsible for going beyond their core business of managing housing. The pressure to reduce costs became very apparent. This mechanism is strengthened because while state-owned housing companies were traditionally anchored in specific neighborhoods, privatized housing companies often re-sold a majority of their housing units in an area and therefore no longer felt responsible to support the area. The consequence of the diversification of owners in a neighborhood is therefore an increasing lack of responsiveness on the part of the owners. The head of public relations of a privatized company confirmed the reduced commitment due to the smaller housing stock in the area:

"We do invest in public infrastructure such as playgrounds and parks within the housing development. We do that of course not with a philanthropic aim, but with the aim to improve the neighborhood and therefore create positive effects. However, and this is what we are criticized for at the moment, we do it within the dimension we feel responsible for. And because we are no longer owning 15,000 units in the area, but only 2,000 units, our commitment is reduced accordingly." (Head of public relations of a private housing company)

## Increasing Rent Levels

In order to make the investment profitable and achieve their target returns, value added investment funds increased rent levels and attracted a clientele with a higher socio-economic status after modernizing the housing. The head of public relations of a housing company confirmed this:

“We invest in the housing stock and furnish dwellings with attributes that increase the quality of the housing, either through energy saving means or through the improvement of kitchen, bathrooms, floors, outdoor façade, etc. in order to newly place them on the market, mostly in a higher segment.” (Head of public relations of a private housing company)

The possibility to increase rent levels however greatly depends on the housing and rent regulation. Two points are important to understand here: First, rent regulations only apply to existing tenant agreements. While vacancy rates were already relatively high due to the substandard housing conditions in the old housing stock, investors created even higher vacancy rates by announcing modernization projects. Tenants often did not want to bear lengthy renovation periods so they moved out before it started. This suited investors well because they were not tied to any rent regulations for new tenancy agreements, therefore allowed to increase rent levels reflecting market conditions. A portfolio manager confirmed the benefit of high vacancy rates during renovation:

“Best is of course, if the whole estate is emptied. We had a vacancy rate between 30 and 50 percent. And of course, we would have preferred to boot out everyone, but that is of course not possible. Then you have to deal with the retired and the alcoholics, which makes the situation more complex.” (Director of a real estate fund at a bank)

The second point of rent regulation, which is important here, is that investors can partly transfer modernization costs onto the rent. This means that even if a tenant decided to bear the renovation period and was therefore protected by existing rent regulation, the regulatory conditions allow investors to partially transfer modernization costs onto rent levels. This created an incentive to modernize the housing to a high standard. Tenants living in these substandard housing units were however often socially disadvantaged and not able to bear the higher rent levels after modernization. A district parliamentarian and urban development consultant summarized the effects on the existing tenants when modernization was announced in the neighborhood of a 1930s row development:

"It was already feared and it also happened that after privatization, modernization of the estate was announced. [...]. It was clear that the now privately owned housing company wanted to renovate the entire estate and exchange the tenants because the existing tenant structure was not what the company wanted. It wanted to have a clientele that is able to pay higher rents and it wanted to restructure two-room apartments into big family homes also with the possibility to sell it afterwards as owner-occupied housing units. That was catastrophic for the existing tenants, because a high percentage of elderly people lived there. [...]. A similar high percentage of people on social welfare lived in these estates. They were not able to bear the higher rent levels." (Urban planner, member of a district parliament and head of the district's urban planning commission)

The modernization and increasing rent levels generated two processes of tenant dislocation: On the one hand, the value added investors' appreciation of the housing stock in better locations created a direct displacement of existing tenants. On the other hand, it also produced an "exclusionary displacement" (Marcuse 1986: 156) whereas households voluntarily vacated, but the barriers for new tenants to move into the neighborhood were heightened. The barriers were however not only heightened through increasing rent levels, but also through particular allocation strategies.

### **Excluding Low Income Households**

Value added investment funds upgraded their housing stock not only physically, but also socially. They intentionally excluded disadvantaged households with a selective allocation strategy. A portfolio manager confirmed this strategy:

"We have clearly an allocation strategy, you can't call it racist, but we do not rent out to a single alcoholic for example. I have two letting teams and they have clear instructions which profile they should rent out to. We want to have families with children. We are also lobbying for a kindergarten nearby. And we have kicked out the pub at the corner of the housing estate." (Director of a real estate fund at a bank)

Similarly to the exclusion of the poor, immigrants were often not welcomed in the upgraded housing stock because it could deter German middle class families from moving into the area for such reasons as the schooling of their children. This mechanism was also confirmed indirectly in an interview:

"The new investors take into account the demand in regards to the German groups who wish to live in homogeneous neighborhoods. The investors have tried to create these neighborhoods, for example in the row developments. Only middle class households that are traditionally anchored and things like that. This minimizes conflicts and creates in the investor's view a stabilized tenant structure which the investor's housing company

also advertises. They argue that they are contributing to an important stability for the neighborhood and therefore the city. It however means nothing else than that they displace the problems to other neighborhoods, mostly to those in the outskirts.” (Deputy managing director of an association for housing and urban development)

Value added investment funds have upgraded the housing stock, a task that most of the indebted state-owned housing companies were no longer able to provide without state subsidies. The privatization process therefore fostered the state’s anticipated modernization of the housing stock, however only in the market segment where investors saw potential for higher rents to achieve their target return. Housing in the lower market segment, for which demand was not high enough to make investment profitable was divested or neglected.

Under the existing market conditions, value added investment funds invested in the 19<sup>th</sup>-century block developments and the Twenties and Thirties row developments in well-situated areas. It is then also the modernized housing in better locations that was most affected by higher rent levels and dislocation of tenants. The anticipated modernization legitimated the exclusion of the poor and vulnerable tenants. The modernization therefore was not for the benefit of the existing tenants, but only for the wealthier ones in future.

## **THE OPPORTUNISTIC STRATEGY**

Compared to value added funds, opportunistic investment funds target higher returns within a relatively short time span. In order to achieve their target return of 20 percent or more, opportunistic funds’ main yield strategy is financial leveraging (Rottke 2004). Financial leveraging is the profit that occurs when the interest rate is lower than the return on the total investment in a property. Thus, “[i]f the return on the total investment invested in a property is greater than the rate of interest on the debt, the return on equity is magnified” (Brueggeman and Fisher 2008: 348). If this is the case, investing with high credit capital and low equity is advantageous because it increases the return on equity. This has the effect that profit is to a great part not resulting from a particular investment project, but from the degree of credit capital on the investment (Rottke 2004).

Opportunistic investment funds’ primary objective is to buy cheap and resell at a higher price as soon as possible to make profit on the credit capital. Winograd (2004: 205) summarizes the opportunistic strategy: “buy as much as they could, leverage it as much as they could, and wait for markets to recover.” As soon as the investment target is achieved, the housing is re-sold to another investor. These funds are more specialized in the trading aspect of real estate than in the management side. Often, they do not have in-house real estate ex-

pertise, but are solely financial engineers. This has consequences for the housing and its tenants.

In Berlin at the beginning of the 2000s, the availability of housing at low prices combined with easy credit promoted investment from opportunistic funds. They bought housing estates from state-owned housing companies, but also from value added investment funds that divested the housing units without development potential. They did not analyze the specific housing conditions: Location, the quality, or regulatory issues were neglected at purchase.

"For opportunistic investors, things like preservation orders, rent regulations or difficulties with existing tenants are negligible details. They almost never appear in Excel-Spreadsheets. Investors did not look at these details, they saw the cheap housing and the cheap money and they wanted to enter the Berlin market." (Director of a real estate fund at a bank)

Linneman (2004: 126) explains this neglect of the housing conditions: "In fact, even a property with little or no residual value can still be extremely valuable." While credit was easily available and demand for investment high, opportunistic funds could count on the 'bigger fool', another investor that buys at an even higher price. The investment therefore was pure financial speculation, based on the assumption that the investment hype will continue.

Opportunistic investment funds bought post-war high-rise developments in the outskirts of Berlin, because it was cheap in comparison to older and more centrally located housing. These post-war high-rise developments were often still locked into the social housing subsidies, which meant that rent levels could only be raised according to pre-determined levels. Upgrading for higher rent levels was therefore not profitable. Opportunistic funds were therefore determined to minimize costs in order to increase the leverage effect.

### **Neglecting Maintenance**

In some post-war developments, opportunistic investment funds did not make necessary repairs as they waited for the opportunity to resell. Instead, they cut caretaker jobs replacing them with cheaper cleaning personnel. The opportunistic investment funds allowed already problematic housing estates to further deteriorate. A district counselor confirmed this process for one of the cases analyzed:

"The estate has been rundown. The caretaker jobs were cut. The investor's policy is a different one than the one of the state-owned housing company that owned the estate before." (District counselor for social welfare, housing and environment)

They also reduced customer service to a higher extent than the value added investment funds. In contrast to the efficient management of value added investment funds, opportunistic investment funds were less dependent on rental income due to their short-term strategy. The effects in regards to the maintenance and services were therefore more dramatic compared to the ones of value added investment. This is in stark contradiction with the state's intention to trigger renovation of the housing which could not be stemmed by the state-owned housing companies.

The deterioration of the housing estate affected the everyday life of the residents. Living in a run down estate became increasingly unpleasant, especially when garbage was no longer collected and staircases no longer cleaned.

"When the estate was privatized the lack of cleaning of the estate became unbearable. It was so dirty in the communal areas outside and inside the estate. For weeks there was no cleaning, so that the tenants started to ask why they still pay rent. Now, the property manager emphasizes the fact that he newly employed these cleaners. However, these are not real caretakers." (Project director of a neighborhood management team)

This neglect however, generated higher vacancy rates, which had to be reduced, especially once the market collapsed due to the financial crisis in 2008 and opportunistic funds could no longer sell the properties. Rent levels were therefore lowered and letting strategies were aggressively targeting low-income households.

### **Reducing Vacancy Rates**

Due to the neglect towards the condition of the housing estate, vacancy rates rose. When the credit market however collapsed after 2008, investors had to seek ways of serving their credit line and the reduction of vacancy rates became crucial to the new strategy. The managing director of the responsible property management firm confirmed that the investment fund sought a rapid re-sell but had to reorient its strategy due to the crisis:

"Because of the banking crisis at the moment, the plan to re-sell has been modified, because the price that the investor aimed for is not achievable. No investor is currently able to get the credit for paying such a price. This is why the investor decided to go for a longer-term strategy. That means we have to ensure that the credit line can be served and therefore we need to have the estate fully rented in order to deal with the current situation." (Managing director of a property management firm)

Since the estates were poorly maintained, opportunistic investors ran into difficulties attracting new tenants and achieve a full occupancy rate. They were also



not able to increase their income streams through higher rent levels due to the depressed situation in these lower market segments. Opportunistic investors therefore created what Holm (2010) calls “discount housing.” Because they had to reduce vacancy rates in order to increase their income streams, they also accepted lower rent levels. The director of a property management company confirmed their attempt to reduce vacancy rates, even accepting lower rent levels:

“We aim at a vacancy rate of five percent. This is however very difficult. We have to work hard for it and we have to move away from a strategy with high rents. We say, we want to rent out the apartment to generate a rental income stream and if we can't get 5 Euros, we have to accept 4.80 Euros [per square meter and month].” (Managing director of a property management firm)

This shows how rent levels depend on specific market dynamics and the type of housing within this market. Privatization of state-owned housing does not necessarily foster increased rent levels in the privatized housing stock. The particular way in which opportunistic investment funds financed their investments contrasts with an expectation that private-led housing contributes to higher rents. The analysis shows that opportunistic funds also provide housing for the socially disadvantaged. However, they are motivated by the possibility of decreasing vacancy rates and not by any social responsibilities they feel towards their tenants.

### **Attracting Low-income Households**

Opportunistic investment funds increasingly also applied letting strategies specifically targeting low-income households to lower their vacancy rates. The fund hired an external agency in order to reach higher occupancy rates. The letting agency, paid on the basis of the amount of housing units rented, pursued an aggressive letting strategy, advertising the apartment specifically to people with a poor credit history and promised new tenants three month's rent free and a voucher of 200 Euros redeemable at a home improvement store (Du Chesne Immobilien GmbH 2009). A district head of a tenant association heavily criticized this strategy:

“Other owners get also better-off tenants, but they are committed to get the better-off ones. It is simpler to get the apartments filled by advertising it with strategies like handing out 250 Euro vouchers for Media Market.<sup>4</sup> This is how they get the apartments full. However, this is not sustainable because as fast as these people move in, the better-off ones become angry and move out just as fast.” (District head of a tenant association)

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**4** | A famous media chain store in Germany.

The tenants who moved into the housing estate were those who did not have access to other market segments. Often, these tenants received benefit payment. The job center, in charge of benefits for people on social welfare, guarantees rent payment and therefore created further incentives for the opportunistic fund to rent to tenants on welfare. Often, the tenants who had no access to other market segments were also immigrants:

“In the last year, thanks to the letting agency, we had an increased influx of Roma. They were not in one apartment but in four apartments and that was enough. This year, there is an increased influx of Arab families, many among them very religious. We have a mosque nearby, which is observed by the Federal Office for the Protection of the Constitution. These are all things that cause distress.” (Project director of a neighborhood management team)

The influx of different nationalities and ethnic groups also affected the everyday life of other tenants, creating conflicts within the estate because of their different degrees of integration into German society:

“It is dirtier and louder in the estate, there is a complete indifference towards it. All problems we had before [privatization], but not to such an extent. And the arrival of the Roma families last year created conflicts because they released a wave of grudges among other immigrants because they do not speak German. And in comparison to the Turkish people who move here and who have to show that they attend a language course [because they are non-EU citizens], the Roma [as EU citizens] do not have to do this. They rented an apartment and thirty people lived in it. The staircase was used as a toilet and they drank without limits.” (Project director of a neighborhood management team)

The concentration of the more vulnerable tenants in certain areas of the city is a common phenomenon (van Kempen and Priemus 2002). Particularly in the cases observed in Berlin is that the concentration of the socially disadvantaged is not solely generated through their displacement from inner city housing. Concentration is actively created through the opportunistic investment funds’ specific investment, management, and exchange strategies.

## **CONCLUSION**

This chapter investigated the privatization of Berlin’s state-owned housing stock and its consequences for Berlin’s housing provision. The government’s privatization of state-owned housing companies and housing estates happened pre-dominantly en bloc. The process fostered the entrance of institutional in-

vestors who followed diverging investment strategies, therefore creating greater social and spatial inequalities.

Value added funds selectively upgraded housing with development potential in order to place the housing units in a higher market segment. The increased rent levels coupled with a very selective allocation strategy followed by added value funds created enclaves of neighborhoods occupied by tenants with a high socio-economic status. This selective investment in housing with development potential and the divestment or abandonment of housing without potential starkly contrasts with an expectation that housing companies invest in all types of housing equally.

In contrast to value added funds, opportunistic investment funds depended on financial leveraging to achieve their target return. They purchased the cheapest, often problematic, housing estates, financed them with high debt rates and re-sold them as quickly as possible for a higher price. In a market situation, where demand was only increasing for housing in the better neighborhoods, the opportunistic funds' applied aggressive letting strategies with the imperative to serve their credit lines through decreasing vacancy rates. This fostered a concentration of socially disadvantaged tenants that have no access in the housing stock to better neighborhoods.

The government's en bloc privatization with the aim to make the highest profit possible favored institutional investment funds as purchasers of the former state-owned housing. Alternative forms of ownership, such as co-operatives or owner-occupation were largely neglected. A balanced development was tipped in favor of attracting capital and against tenants, especially the more vulnerable ones. This was expected. The outcomes of this privatization process were however profoundly unequal.

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# Berlin's Gentrification Mainstream

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*Andrej Holm*

In recent years gentrification in Berlin has become central to political debates and media reports covering urban development in the city. More than this, “gentrification” has become a matter of everyday-conversations and the gentrification “diagnosis” seems to be possible in different urban contexts. Nowadays, both in political and everyday conversations, more or less all inner-city neighborhoods are somehow placed into the framework of the gentrification debate: Prenzlauer Berg is portrayed as showcase for family gentrification, Mitte as one of the most obvious examples for touristification, Kreuzberg and Neukölln stand for the invasion of international creative pioneers, and Wedding is highlighted as the eternal candidate for the next urban hot spot.

However, the fact that urban upgrading has become universal should not necessarily be interpreted as a simple expansion of gentrification in a wholesale way. As a matter of fact, the differences between the historical trajectories of gentrification in different neighborhoods is immense, and Berlin is rather a paradigmatic example for the manifold variations that urban upgrading can take (Lees et al. 2008: 129 ff.). In Berlin, various characteristic phases and many of the contemporary forms of gentrification can be examined.

Thus, at first sight, Berlin seems to be a laboratory for all the variations of gentrifications one knows from the international literature: the boom of luxury housing estates could thus be interpreted as “new build gentrification” (Davidson and Lees 2005; Marquardt et al. 2012) or “super gentrification” (Lees 2003; Butler and Lees 2006); the displacement pressure resulting from the gap between long term rental agreements and new contract rents can be seen as yet another example for “rental gentrification” (van Crieelingen 2010); the transformation of rental housing into boarding houses and holiday flats can be seen as “tourism gentrification” (Gotham 2005) and so on. But gentrification is not just a “global urban strategy” (Smith, 2002) which operates with the same dynamics and leads to the same patterns and outcomes all across the world. Quite in contrast, gentrification is highly embedded into place-specific contexts and frameworks. Therefore, the varieties of gentrification that can be found in

Berlin point towards the need to put the local planning histories into the center of explanation and to make varying locally conditions in real estate markets and changes in urban political regulations central to the analysis.

The article proceeds as follows: The first section discusses specificities of Berlin's housing market, which form the background for gentrification in this city. This is followed by an overview about the course and the dynamics that gentrification in the German capital displayed in the last two decades. The subsequent sections sketch the state of gentrification in three different neighborhoods, showing immense differences and arguing that these can only be explained by taking the different regulatory histories of the respective areas into account. I conclude by arguing for a view that acknowledges "many" gentrifications, instead of a single, universal process.

## **BERLIN'S HOUSING MARKET**

In contrast to many cities in the English-speaking world, Berlin's housing market is dominated by rental housing. Only 14 percent of the overall housing stock is used by owner occupants, the rest is rentals. More than 60 percent of the rental sector is owned and managed by private property owners and companies, including 150,000 housing units of institutional investors. Around 24 percent are held by public housing associations or housing cooperatives.

For a long time Berlin was perceived as a city with low rents and living costs, especially when compared to other German and European cities. And indeed, average rental prices for housing stayed about the same from the early 1990s until 2005. The main reasons for this were substantial public investments and subsidy programs, a high level of construction activities in the early 1990s, a sizable segment of public and social housing and strong rent regulations in the 1990s. All these factors contributed to a housing system which was much less vulnerable to market dynamics. As a consequence, gentrification could only slowly gain ground and was until around 2005 only discussed within the context of specific neighborhood transformations in parts of East Berlin (such as Prenzlauer Berg or Mitte).

This has completely changed. Berlin's rent levels are definitely on the up now and despite the still sobering overall economic situation the city shows the most intensive rent increases in Germany. The main reason for this is a shift in Berlin's urban and housing policies: since the turn of the millennium, subsidies for building and renovations provided by the city have been completely cut. Additionally, a serious decrease of new-built activities, in combination with a rising number of households, led to massive pressure on the housing market. With regard to the budgetary crisis of the city, more than 220,000 public housing units (or half of the public stock) were privatized, and the stock of social housing was reduced from 370,000 units in 1993 to less than 150,000 in 2012.

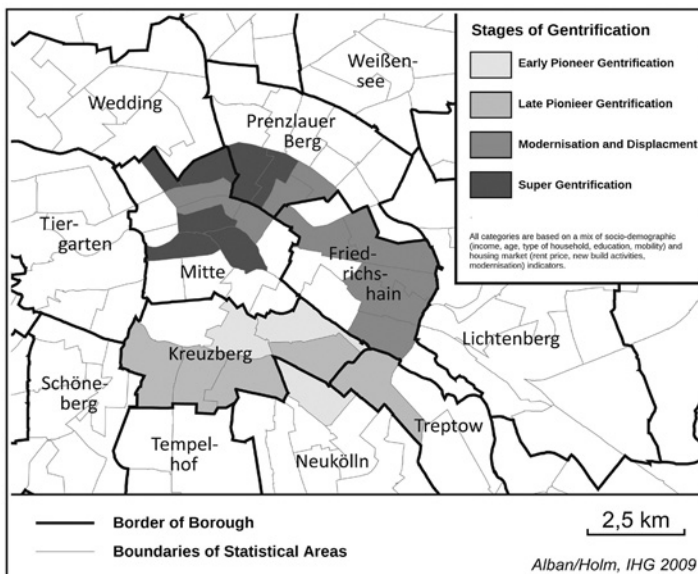
At the same time, existing rent regulations and planning restrictions on new construction were lifted, and a broad array of planning procedures deregulated.

As a consequence of these simultaneous developments, rents are on the up in all housing segments in recent years. On average, since 2003, rents for existing contracts increased by around 23 percent, with inner city neighborhoods being above this average. However, rent increases for new rental contracts are considerably higher, so that tenants who look for a new apartment today will have to pay twice as much as five years ago.

## BERLIN'S GENTRIFICATION CYCLE

In the course of this development, gentrification has become the dominant trend for the development of most inner city neighborhoods in Berlin. This “mainstreaming” of gentrification has led to a situation in which the process cannot be meaningfully described on the neighborhood scale anymore. Quite in contrast, in order to understand the interrelations and dynamics of gentrification, it is necessary to widen the observer's perspective and include the relations between different neighborhoods into the picture. Such a bird's eye view makes it easier to identify gentrification dynamics in various phases and places and allows a closer look at exclusion dynamics even between less well-established social groups.

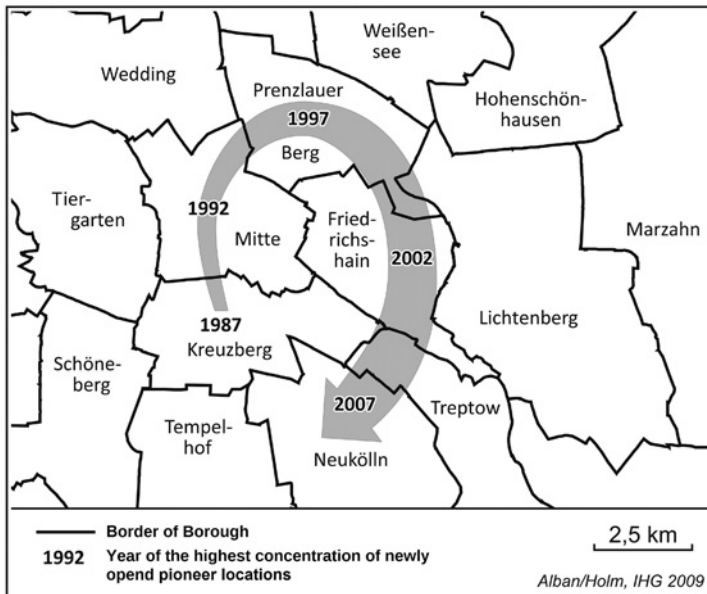
*Figure 1: Spatial Differentiation of Gentrification in Inner City Neighborhoods in Berlin (2009)*



With this knowledge of various forms and phases of gentrification happening in the city both at different times and in different places as well, one can observe gentrification in large parts of Berlin's inner city and at the same time emphasize differences. Thus, while new building projects in the already upgraded neighborhoods in Mitte and Prenzlauer Berg indicate an intensified phase of gentrification, gentrification in Friedrichshain is still a matter of housing renovations. At the same time, Kreuzberg and northern Neukölln exhibit classical forms of symbolic gentrification and are currently experiencing a "pioneer phase" in which an in-migration of "creatives" and rising rent prices can be studied.

With this background, Berlin's inner city restructuring is shaped by a spatial expansion of gentrification, but also by a side presence of different phases of gentrification and by a circulation of the current epicenters of gentrification. For example, the concentration of pioneer locations (such as clubs, galleries, sub-cultural bookstores) has shifted from Mitte to Prenzlauer Berg to Friedrichshain in a clockwise movement through the city, reaching Kreuzberg and even parts of Neukölln within the last few years (see Holm 2011).

*Figure 2: Spatial Dynamic of Pioneer Locations in Inner City Neighborhoods in Berlin (1987-2009)*





The spatial dynamics of Berlin's inner city upgrading thus indicate a stepwise process that is characterized by diverse waves of upgrading taking place simultaneously, yet with a striking spatial and temporal individuality. The classical sequence in which a pioneer phase is followed by investments into the housing stock, resulting in both economic and exclusionary displacement of low-income households and eventually followed by a phase of "super-gentrification" in which luxury housing becomes prevalent, can in Berlin above all be observed in the districts Mitte and Prenzlauer Berg. The district Kreuzberg on the contrary hand is characterized by different conditions: here reinvestment came in the 1980s already and is only now followed by an intensive influx of pioneers and gentrifiers and a second wave of upgrading. In Neukölln, again, gentrification was unheard of until very recently and is now proceeding at an astonishing speed, driven by an enormous internationalization of in-movers.

A second characteristic of gentrification processes in Berlin is the step-by-step spatial expansion of gentrification. Particularly for the pioneer phase, an out-and-out migration to the next district every five years or so can be traced (see Figure 2). The movements of these gentrification pioneers seem to confirm the logic of symbolic gentrification. In districts in their early gentrification phase, rental prices rise not only for housing but also for the retail segment, so that sub-cultural and interim uses dependent on affordable space move to other areas. The establishment of this sort of cultural and sub-cultural use is connected to an image shift in the new locations, specifically the development of an "artists' quarter," "gallery district," or "hip district" in both the media and public perception. Whereas a "cultural" argument about the need to constantly discover "new" and "authentic" places, can partly explain this movement of gentrification, a closer look at the local trajectories reveals that political regulations need to play a central role in the explanation, too.

In the following section, I will discuss central characteristics of gentrification in three different neighborhoods, thus thinking through the "many" gentrifications in Berlin.

## **MITTE AND PRENZLAUER BERG: SUPER-GENTRIFICATION THROUGH LUXURY HOUSING PROJECTS**

In the last two decades, the historical housing districts in Mitte and Prenzlauer Berlin, built in the late 19<sup>th</sup> century, have become notorious examples of the linkages between politically-initiated gentrification, in which there is a formal declaration of urban renewal areas, and public support for privately-financed modernization with substantial displacement of the original residents (Krajewski 2006; Bernt and Holm 2005; Holm 2006). As a result of the high reno-

vation quota (around 80 percent of the buildings) scarcely 25 percent of the original resident bases still live in the renewal areas (PFE 2008). Sociological investigations have demonstrated that the average income level for Prenzlauer Berg has increased from 75 percent of the citywide level in 1993 to 140 percent of it in 2007. Being among the poorest neighborhoods to be found in Berlin in the early 1990s, both Mitte and Prenzlauer Berg have been transformed into some of the most affluent today.

However, although gentrification in Prenzlauer Berg is a process that has now gone on for about twenty years, its shape changed considerably starting around 2005. There are different reasons for this: First, most of the historical housing stock with renovation potential had already been revalorized, so that there were no old buildings left to gentrify. Second, at the same time, the zoning declaration of most urban renewal areas in Prenzlauer Berg and Mitte expired and the specific legal obligations and instruments, required in the German building and planning legislation for this type of area, were annulled. As a consequence, as “rent gaps” in the existing building stock were successively closed, new opportunities opened up at undeveloped lots. This led to a shift in investment strategies towards “new building,” instead of renovation in which new building projects have been increasingly undertaken in empty lots and open spaces.

Since 2005, 27 luxury apartment complexes with a total of 1,250 apartments have been constructed or are currently under construction in Mitte and Prenzlauer Berg (Holm 2010). These new building projects typically feature luxury fittings, are sold as condominium apartments, and can be described as luxury housing enclaves. The new residents are predominantly recruited from households living in the area, yet with considerable differences compared to traditional gentrifiers in Berlin (with regard to the international composition, income and occupational structure). While there are no systematic statistics on this, data on prices and sales figures as well as media reports give a more or less clear picture. The residents portrayed in the press coverage are predominantly between 35 and 45 years old, live alone or in a domestic partnership, with some having one to two children. The residents are depicted as architects, media designers, PR spokespersons, administrative employees and management consultants (Westphal 2007; Braun 2008). In interviews, the building projects’ business and sales managers indicated, without going into further detail, that prominent stars from the art and film scenes as well as managers of larger companies are included among the new residents. Furthermore, the internationality of the future residents was stressed. In the Kastaniengärten in Prenzlauer Berg and its next door neighbor project Marthashof, the buyers originate from 18 different countries of origin. Apart from new residents from the predominantly western European countries, the US and Canada, individuals from Argentina were also named. The largest ethnic minorities in Berlin,

namely Turkish, Arabic and eastern European households, were not among the buyers of the luxury apartments (Holm 2010). The average sale price of 3,700 Euros per square meter, which is extremely high for the Berlin housing market, indicates high income and wealth of the new residents (Marquardt et al. 2013).

While this development clearly resonates with what has been termed as “super-gentrification” in international debates (“already gentrified, prosperous and solidly upper-middle-class neighbourhoods into much more exclusive and expensive enclaves,” Lees 2003: 2487), it also needs to be emphasized that it does not so much reflect a “natural development” as a specific change in politics regulating gentrification in Berlin. Here, the boom in luxury housing in already gentrified neighborhoods like Prenzlauer Berg and Mitte is entirely based on the combination of the successive closing of rent gaps in the old housing stock with the abolition of administrative restrictions in the field of new build constructions. The new build gentrification can therefore not be understood without the history of urban renewal policies in East Berlin.

## KREUZBERG: RENTAL GENTRIFICATION AND “DISPLACEMENT FROM THE LIFESTYLE”

This is also true for gentrification in Kreuzberg. As in Prenzlauer Berg, gentrification in Kreuzberg cannot be understood without taking into account the specific history of urban renewal and planning policies in the district. The main point here is the historical policy of “careful urban renewal” (*behutsame Stadterneuerung*) which dominated urban development in Kreuzberg since the early 1980s (see Bernt 2003). This policy was the outcome of militant protests against preceding renewal policies, which had resulted in large-scale demolitions of historical buildings and caused deep-seated civic unrest, manifested in more than 100 squatted buildings (Holm and Kuhn 2011). Careful urban renewal strategies replaced these policies and implemented a new model of renewal based on: a) the preservation of existing structures, b) the preservation of the social composition of the population; and c) an encouragement of citizens’ participation. In terms of economics, the careful urban renewal was based on extensive public funds (close to 95 percent of all buildings were renovated with the help of public subsidies) and a transfer of land to public redevelopers.

With regard to subsequent gentrification this policy had paradoxical effects. First, Kreuzberg was restored as a functioning real estate market. A central precondition of gentrification was thus only reinstalled with immense public intervention. Second, using public subsidies, a basic standard of housing (modern heating systems, bathrooms, and inside toilet, modern electrical system

etc.) was established and implemented in most apartments. This – together with rent caps – enabled poor households to remain in modernized, high-standard flats in a central location, so that some of the most attractive housing is occupied by some of the poorest residents to be found in Berlin.

Interestingly, this paradoxical interplay of public policies with private housing plays a crucial role in the changes that Kreuzberg faces today: twenty years after “careful urban renewal” the neighborhood has become a new center of gentrification dynamics. In the former urban renewal areas Chamissoplatz, Luisenstadt and Wrangelkiez rapid and frequent ownership changes have taken place within the last five years (Unfried 2009; Hunziger 2010), thereby in particular international investors have bought up properties (Oellerich 2010). The occupancy and price caps for houses that were modernized in the 1980s as part of the modernization subsidy program expired with the end of the subsidy phase, usually a period of 15 to 25 years; these houses are now subject to general rental law. As a consequence, prices for new rental contracts have risen considerably. A market analysis of rental prices in new rental contracts in the district showed that Kreuzberg is one of the districts with the smallest supply of affordable apartments (IVD 2010).

The massive welfare state intervention of the careful urban renewal, which has preserved the then-present income and resident structures, is now seen as a barrier by many property owners. Additionally, this tension between low-income inhabitants and increasing rent expectations by the landlords creates a strong displacement pressure. How is this to be explained? In contrast to “modernization” and “new build gentrification” in Prenzlauer Berg, the rent gap and the resulting displacement pressure in Kreuzberg is largely based on the difference between rent prices in long term rental agreements and in new contracts. As a heritage of the careful urban renewal in the 1980s, there is no relevant leeway for rent increases in context of modernization. In general, there are three ways in which landlords can increase rents. At first rents could increase after a modernization. But the German rent law restricts rent increases only for modernization with a substantial upgrading of the level of housing facilities. This means there is only a rent gap if the modernizations really add a new feature of housing infrastructure and do not simply upgrade the quality of a still existing standard. A second way to increase rents in long standing rental contracts is to bring them in line with the average rent level for similar flats. This rent increase is limited to a maximum of 15 percent rent increases every three years. The German rent law strongly protects sitting tenants in many ways but only imposes marginal controls and restrictions on rent prices in new contracts. Much higher rent increases are possible, at third, if landlords close new rental contracts.

Based on the extensive modernization under the conditions of careful renewal strategies, Kreuzberg is being faced with “gentrification without mod-

ernization" today. Because of this missing rent gap in modernization, landlords shift their valorization strategies to realized the highest possible used of their properties in replacing the tenants to take the much higher rents in new contracts. Higher rental prices in new rental agreements are being realized by nearly all property owners. Changing ownership increases the exploitation pressure even further, since the buyers usually see the buildings as an investment whose worth should be realized through replacement of former tenants in order to close a new contract or rather through the transformation of rental properties into sale properties.

Tenants' organizations and neighborhood initiatives report regularly about plans to transform rental properties into condominiums for sale.<sup>1</sup> The close connection between residential change, gentrification and new rental contracts is also reflected in statistics: Studies in selected neighborhoods have shown that the rental prices in existing rental agreements have risen, and that the average rent costs have risen even faster. In the neighborhoods examined here, Gräfekeiz, Luisenstadt and Bergmannstraße (northern part), rents increased 23-30 percent between 1999 and 2008. The average rent payment in these areas comprises 30 percent of disposable income (TOPOS 2008). According to the results of the study, the recent transformation in Kreuzberg has not yet led to a displacement of poor and lower-class residents. Indeed, the proportion of these groups in the overall population has actually risen slightly in the last few years; about 30 percent of the households have a monthly income under the poverty line. The proportion of households with higher incomes has increased simultaneously. Alone in the years between 2005 and 2008, the fraction of households with an income more than double the area average rose from 5 percent to 20 percent (*ibid.*). Under these conditions, poor households were confronted with an economic displacement pressure by a rising share of rent payments per household income. Beyond displacement, a strong reduction in the housing-per-household-supply indicates the high social costs of the rising rental prices. Between 2005 and 2009 alone, the number of housing units per 100 households in an area sank from 91 to 83 percent. In the same time frame, the overall average housing supply quota for Berlin sank from 100 to 96 percent (IBB 2006: 71; IBB 2010: 83). According to these figures, households in Kreuzberg share an apartment more often than households in other parts of the city. This drastic increase suggests a fundamental reduction in housing quality due to overcrowding, especially for households with low income. In gentrification research, such effects are described as "displacement from the lifestyle" (*Verdrängung aus dem Lebensstil*; Blasius 1994: 408).

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1 | See <http://36-gegen-mieterhoehung.blogspot.com>; <http://kreuzberger-horn.blogspot.com>.

Summarizing, it can be stated that the dynamics of urban upgrading in Kreuzberg are mainly driven by the substantial increases in rental prices for new rental agreements. Mathieu van Crielingen (2010) described similar gentrification processes in the inner-city districts of Brussels as “rental gentrification.”

## NORTHERN NEUKÖLLN: EXPAT ENCLAVISM WITHOUT REGULATION

“Rental gentrification” is also an issue for the northern part of Neukölln, yet with a greater speed and without Kreuzberg’s history of local state intervention. The highly dynamic rental market in Neukölln grounds on an unprecedented internationalization, which builds an increasingly important connection between gentrification in Berlin and worldwide housing markets.

For many years, the old housing neighborhoods of Neukölln counted as social problem areas. They are still characterized by one of the highest proportion of immigrants and low-income households in Berlin. The building stock is marked by a high proportion of unmodernized properties (Walther and Ritterhof 2007: 23 ff.), and undermaintenance of public places is a clearly visible problem in the area. For a long time, Neukölln had a particularly bad reputation and numerous German publications used the neighborhood as a prominent example of the failure of integration, and portrayed it as a “ghetto” plagued by crime, decay and anti-social behavior. This has changed completely. In the last three to four years, Neukölln has become a new urban hotspot and gained an enormous attractiveness for “creative” people worldwide. One of the mostly visible part of neighborhood transformation is the functional gentrification in terms of a comprehensive change of the local gastronomy. New pubs, coffee shops and clubs make the neighborhood more attractive to young, creative and cosmopolitan people than for the traditional mix of working-class Turkish, Arabic and Eastern European migrants and the German “underclass.”

These changes were heralded by a fundamental image shift. Thus the Berlin-based city magazine *zitty*, always a trendsetter when it comes to “discovering new neighborhoods,” titled its March 2008 edition “Neukölln rocks: Out and about with *zitty* in Berlin’s most exciting new district.” Interestingly, however, and in contrast to earlier experiences with Prenzlauer Berg or Friedrichshain, this symbolic upgrading is not restricted to a local or national audience. Quite the contrast, portraying Neukölln as a new “hip destination” has become a global matter. The *New York Times* travel column promoted Neukölln as the ultimate nightlife recommendation for a 36-hour visit of Berlin: “Berlin’s gritty, working-class Neukölln district, settled nearly 300 years ago by (actual) Bohemians fleeing religious persecution, is once again a destination for (modern) bohemians – this time, thanks to artists fleeing rent hikes elsewhere in the city” (New York Times 2010).

The symbolic gentrification of Neukölln seems to be nearly complete, and is displayed in a wide range of weblogs<sup>2</sup> and articles (cf. Bradley 2010). Neukölln is presented as a global destination for young international artists and other creatives. This storyline is endlessly repeated and it has in fact become difficult to keep up-to-date with the media coverage about the “Avantgarde playground” (such is the title of a four page report in the Berlin-based magazine *tip*, March 3, 2010). Exemplarily for the new Neukölln-narrative is an article by Thomas Rogers, a young Canadian author and former arts editor, who reflected his own Berlin experience for the journal *Salon* as living in “Europe’s epicenter of cool.” “Berlin has become a beacon for thousands of restless North American and European young people and people of any age trying to escape work, or commitments, or the need to put on underwear before 3 pm” (Rogers 2012). “It seemed like half New York were leaving their life behind to go drink beers in Berlin’s parks” and “especially in the formerly gritty neighbourhoods of Neukölln or Kreuzberg [...] you hear as much, if not more English than German” (ibid.). A similar storyline can be found in an article by Robert F. Coleman, an Australian musician who lived in Berlin for one year and described the city for the *Guardian* as a “hedonist paradise, where beer was cheaper than water, drugs effortless to acquire and the best dance music in the world only a short ride away any night the week” (Coleman 2012). Coleman’s Berlin is composed by “designers, photographers, illustrators, filmmakers, writers, other musician and dozens of miscellaneous expats” (ibid.). These narratives are everything but new, and have in fact already been used for neighborhoods like the East Village in New York City, Hoxton in East London, or the Raval in Barcelona. What is striking about their application to Berlin is that they are increasingly delinked from local experiences and attached to a global movement, driven by an international creative class.

Still, these developments are hard to pin-down in local statistics, as many of the “creative” immigrants only stay in Berlin for a while and, therefore, do not bother about getting registered. Nevertheless, available data on residential mobility demonstrates that the structure of immigration and the composition of migrant communities in Berlin have dramatically changed since 2011. The net migration gain of immigration from abroad rose from a negative balance to an overage of around 25,000 people. The data indicate a strong impact of moving-ins from EU countries and North America, whereas the traditional strong migration relation to Turkey is only subordinated today.

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2 | See, for example, <http://www.exberliner.com> and <http://www.uberlin.co.uk>.

*Table 1: Immigration to Berlin from Abroad/Net Migration Gain of Selected Countries*

	all immigration from abroad	EU countries	North America	Turkey
2009	-7,836	801	-1,220	-1,581
2010	-1,172	4,326	-331	-2,143
2011	24,080	17,482	1,600	52
2012	26,224	19,201	2,213	-405

Source: Amt für Statistik 2013

These patterns are particularly pronounced in Neukölln. Here, in the course of four years a negative migration balance of non-Germans from abroad has been totally transformed into a plus of around 3,800 persons per year in 2011 and 2012. The net migration gain of non-Germans from abroad in Neukölln is now much higher than all other residential moves (see Table 2).

*Table 2: Residential Moves to and out of Neukölln*

	number of residential moves by non-German citizens from abroad			number of residential domestic moves by all nationals		
	influx	departure	balance	influx	departure	balance
2009	6,477	6,612	-135	20,750	18,081	2,669
2010	6,758	9,727	-2,969	20,085	17,707	2,378
2011	8,021	4,249	3,772	20,581	18,914	1,667
2012	8,643	4,815	3,828	20,027	19,245	781

Source: Amt für Statistik 2013

The influx of around 17,000 internationals (nearly one third of all in-movers) in the last two years has become an important factor in the housing market in Neukölln, and it is to expect that a large number of new rent contracts will be closed with expats directly coming from abroad. Recent studies in Neukölln indicate that new tenants (that have moved in since 2010) have on average higher incomes and are paying higher rents, and more than 60 percent of them were classified as gentrifiers or pioneer gentrifiers (TOPOS 2011: 32, 46 and 49). The



rising number of students moving in and the high attractiveness of Neukölln for a certain “creative class” have changed many neighborhoods in Northern Neukölln fundamentally. They are about to replace the mixture of low-income Germans and poor migrant families and have become a new component of Neukölln's population.

The growing importance of expats for gentrification in Berlin has strong parallels with what Rowland Atkinson and others, in their studies about new living forms of middle class households, describe as enclavism (Atkinson 2006; Atkinson and Blandy 2005). Whereas enclavism usually refers to forms of settlements like “gated communities,” it could be argued that choosing to live in an more or less closed expat community can be regarded as a similar phenomenon, as it allows to keep a social imaginary of urban neighborhoods, apart from everyday experiences and hitherto images (Atkinson 2006: 821).

The dominant narratives of “Turkish families picnicking in parks,” of “unpretentious Berliners, who all look eerily relaxed and slightly dishevelled,” of “friendly drug dealers [...] sitting around with their customers and playing Seu Jorge songs for them on their guitar,” or of the “ex-Stasi informants occupying stools at their local *kneipe* and mumbling over drinks” (all quotes from Coleman 2012 and Rogers 2012) might be far from the real experiences in the expats' communities. At least this separation or disengagement of experiences enabled the perpetuation of the myth of Berlin as the cheap city with low rent prices. Indeed, compared with 1,400 US-Dollar for a room in New York, the 400 Euros you have to pay for a room in a shared apartment in Kreuzberg or Neukölln seem to be extraordinary inexpensive (Rogers 2013). But in relation to an average per capita income of 850 Euros in Neukölln (TOPOS 2011: 18) this means, that only about 100 Euros are left per week for all other expenses.

All the expat immigration is not only important because it transforms the linkages between cultural perceptions, mediatisation and gentrification which have been described for different localities by Zukin (1990 and 2010) and others into a global game. What is even more important that they set into operation a new market dynamic, in which rents in Neukölln are not only determined by local demand – but in comparison to places like London, New York, or Barcelona. The reverse side of these trends is the displacement of the urban poor. In a newspaper article, a local real estate agent was quoted as saying that, due to the rising rental rates, over 800 housing applications for needs-based shared apartments for welfare recipients (*Hartz-IV-Bedarfsgemeinschaften*) could not be fulfilled in Neukölln (Fietz 2010).

The image shift of Neukölln as well as the internationalization of pioneer gentrification cannot be explained by any inherent logic of urban changes but one has to consider the international branding strategies of Neukölln's new image in context of the general Berlin hype (Füller and Michel 2013; Colomb 2011). We could see the intermingling of symbolic neighborhood improvements, the

establishment of an infrastructure for conspicuous consumption and the rising attractiveness for creative expats as the main triggers for the gentrification in Neukölln. In combination with the extensive absence of local regulations in mostly all housing questions stands Neukölln for a new *modus operandi* in Berlin's gentrification circle.

## BERLIN — A SHOWCASE FOR GENTRIFICATION?

In a nutshell, one could say that Berlin has indeed become a showcase for gentrification – yet what we can observe here is not a single process, but many different forms of gentrification. A closer look at the developments in Berlin thus demonstrates that many of the mutations of gentrification (Lees et al. 2008: 129 ff.) discussed in the international literature are becoming evident here, too. But, at the same time, the transformation of Berlin's inner city neighborhoods does not just follow the blueprint of international gentrification studies, but has specific characteristics which can only be understood properly when locally specific trajectories are included in the picture.

The study of gentrification in Berlin can therefore, I propose, inform international debates in three respects: Firstly, the gentrification circle in Berlin demonstrates that we have to *detach gentrification research from neighborhood studies*. While the analysis of different aspects and actors of gentrification, of detailed patterns of progress and local regulations as well as of personal displacement experiences still need locally focused research, a wider perspective enables a better understanding of superior contexts of gentrification, such as the housing market conditions under which gentrification can take place, urban politics and policies or the interrelation of residential changes between single neighborhoods.

Taking this city-wide focus on gentrification, the case of Berlin shows, secondly, that there is no common modus of upgrading, but a *multiplicity of gentrification*. Guided by the knowledge of this manifold of gentrifications, we will understand more about the neighborhood specific conditions in terms of gentrification progress, actors' constellations and local conflict structures. A third finding of research on Berlin's inner-city neighborhoods is the *historical embeddedness of gentrification*. The gentrification experiences in Prenzlauer Berg and Kreuzberg show, for example, that existing rent gaps in inner city neighborhoods are highly dependant on former urban renewal policies and changing forms of political and administrative interventions in the housing market. The declining role of direct subsidies and the hidden role of government in gentrification processes highlight the local path dependency of gentrification experiences. Berlin therefore demonstrates, that in order to understand the implementation of a "global urban strategy" like gentrification we need to consider

and analyze more seriously the political constellations and rent gaps in specific locations. The gentrification dynamic in Berlin is basically grounded in the change of housing politics and new configurations of urban renewal strategies.

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# The Berlin Water Company

## From “Inevitable” Privatization to “Impossible” Remunicipalization

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*Ross Beveridge and Matthias Naumann*

### INTRODUCTION

On October 29, 1999, the partial privatization of the Berlin Water Company (*Berliner Wasserbetriebe*; BWB), was finalized when the city of Berlin entered a public-private partnership with RWE Umwelt AG/Vivendi (now Véolia) S.A./Allianz. To many both at the time and subsequently, the explanation for the privatization was straightforward. It was a necessity because both Berlin and the BWB had huge debts. As with other cases of privatization around the world, particularly during the 1990s, the “there is no alternative” mantra was potent in the political debate. This was a seemingly inevitable privatization, occurring at the end of a turbulent decade for Berlin.

After reunification, the hype of the emerging “Service Metropolis” (*Dienstleistungsmetropole*) had given way to media attacks on the “Unemployment Metropolis” (*Arbeitslosenmetropole*) at the end of the 1990s (Frese 1999). The speculative real estate boom in the early to mid-1990s, in part financially encouraged by the Berlin government, collapsed and left Berlin with the largest unoccupied office spaces in the world by the end of the decade (Krätke 2004: 62). City debts rose as the economy shrank through re-entry to global markets, the once subsidized industries on both sides of the Wall disintegrated, and the new knowledge sectors failed to replace them. In short, there was, by the mid-to late 1990s, a financial and economic crisis in Berlin. It led, in turn, to what we might, following Peck (2012), now call “austerity urbanism” centered on privatization and public sector cuts.

However, after a mere thirteen years of privatization RWE agreed to sell its quarter share of the BWB back to the city of Berlin in May 2012. Although RWE received a high price of 654 million Euros, this was still a startling development, creating the conditions for what Berlin’s politicians had argued was impossible, given the long-term privatization contracts and continuing indebtedness of the city – the remunicipalization of the BWB. How can we account

for this turnaround? How did a political discourse of no alternatives transform into one of many alternatives? This article argues that the Berlin water privatization case, like much of the broader policy agenda in the city during the 1990s and 2000s, can be seen as emblematic of the contradictions of neoliberal policy (Peck and Tickell 2002), and the ongoing possibilities for change this can offer.

The article has the following structure. Section 1 describes the global context of water privatization and neoliberalism. Section 2 outlines a politics of inevitability in Berlin during the 1990s, based on the global city aspiration, and the privatization of the BWB as crisis emerged in the late 1990s. Section 3 details the contestation of water privatization and the reversal of the privatization. The paper concludes with some brief remarks on post-neoliberal urban politics.

## NEOLIBERAL URBAN GOVERNANCE AND WATER PRIVATIZATION

Privatization of public companies and property is a key element of the neoliberal political project. Since the 1980s privatization and commercialization of public enterprises and public goods, along with the liberalization of markets, have transformed the role of government around the world. Privatizations in the water sector can be understood within the “accumulation by dispossession” strategy (Ahlers 2010; Harvey 2003) and as an integral part of “entrepreneurial” urban governance (Harvey 1989). While privatization decisions in some sectors, such as the car industry, telecommunications, post, have not in general caused major conflicts, privatization of drinking water supply and wastewater disposal services has often been strongly contested. This is partly explained by the fact that water is an indispensable good, one which cannot be substituted by other resources. Water also plays a particular role in the shaping of local identities, is highly intertwined with local natures and thus crucial to nature-society relations (Bakker 2010; Castree 2008). Further, water utilities have a symbolic importance as the “last frontier” in the privatization program – one of the few domains which have not yet been affected by private sector involvement. Nevertheless, water privatization has been promoted on the same grounds as found in other sectors: that it would bring much needed investment, know-how and efficiency from the private sector (Castro 2002). Privatization has also been promoted to solve fiscal crises of the local state (Swyngedouw 2004: 27), as a conveniently quick means of reducing deficits and downsizing government within an urban politics framed by crisis.

Characterized as the “common-sense of the times” (Peck and Tickell 2002: 34), neoliberalism can be understood as “a political rationality that both organizes these policies and reaches beyond the market” (Brown 2005: 38). Colin Hay (2007: 10) has argued that one central feature of neoliberalism has been the presentation of its policies not as the “best” option but as the only logical,



rational option in a context of economic globalization. Hence the “there is no alternative” mantra of politicians like Margret Thatcher and the “inevitabilized” cuts to state expenditure in the ongoing fiscal crisis (Peck 2012: 630). The depoliticizing effects of neoliberalism have become an increasing concern in the social sciences (e.g. Burnham 2001; Flinders and Buller 2006; Hay 2007; Mouffe 2005; Rancière 2003; Swyngedouw 2009; Žižek 2008). For Swyngedouw neoliberalism has helped reduce the “political terrain to a post-democratic arrangement of oligarchic policing” (2007: 6), in which the outcomes of policy-making – what is possible, desirable and who should be included and excluded – are virtually known in advance.

Despite its apparent dominance, neoliberal policies, such as water privatizations, have been recently contested and sometimes reversed. Neoliberalism has been challenged by an increasing number of protests on different scales and in different fields (Leitner et al. 2007). Ultimately, as Peck (2012: 630) states, neoliberalism has failed to secure sustainable economic, social and environmental development. Outcomes are unclear, ongoing and subject to contestation and change. A “politics of change” has sometime become apparent, a “roll-with-it neoliberalism,” in which tentative institutional and policy shifts have emerged in particular places at particular times (Keil 2009: 233).

This is especially the case in the water sector. Even the arch-promoter of privatization, the World Bank, has questioned the benefits of privatization (Castro 2002: 4 f.; Hall et al. 2005: 287). After huge protests, large private water companies, such as Suez or Veolia, have withdrawn from a number of developing countries (Hall et al. 2005: 286; Swyngedouw 2009b: 41). Meanwhile a broad strand of literature dealing with the often disastrous outcomes of water privatizations in the global south has emerged (Ahlers 2010; Aubin 2002; Barlow and Clarke 2003; Cocq and McDonald 2010; Kazimbaya-Senkwe and Guy 2007; Madaleno 2007; Miroso and Harris 2012; Shiva 2002; Wu and Malaluan 2008; Zaki and Amin 2009). Examples for ending privatization projects can not only found in cities of the Global South, however, but also in cities like Paris (Barraqué 2012), while the uncertain outcomes and contradictions of privatization are vividly illustrated in Berlin.

## **A POLITICS OF INEVITABILITY: THE GLOBAL CITY ASPIRATION AND CRISIS IN 1990s BERLIN**

In his dissection of the construction of economic crisis in 1970s Britain, Hay (1996) reveals how selective readings of events by the media and conservative politicians, and the strategic inter-linking of “facts,” helped construct a particular version of crisis, one which apportioned blame to the unions and an overblown state. This in turn laid the ground for the “unavoidable” policies im-

plemented by Thatcher in the 1980s to reduce the role of the state and weaken the unions.

Politicians often invoke the inevitability of a certain policy given their reading of the prevailing economic, social and political conditions. Presenting a policy as inevitable is often an effective political tactic in that it directs attention to the apparent severity of the situation and away from the normative and ideological assumptions which underpin all policies. It works to reduce politics to a discussion of “needs must,” based upon the “hard facts,” and politicians to simple executors of unavoidable, even if harsh, measures.

Arguing that economic and financial imperatives leave little options in policy-making may not be a new strategy but it is one that has become more prevalent with the rise of neoliberalism. Hay (2007: 100) has stated that a defining feature of the shift to neoliberalism has been the presentation of policies not as the ‘best’ option but as the only option in a context of economic globalization: “it is the very condition of economic credibility and competence in an era of globalization (Hay 2007: 100).” In 1990s Berlin such a strategy was also apparent, thought it became intertwined with fiscal crisis.

## **1990s BERLIN**

Policy-making in Berlin in the 1990s is as much a story of urban governance in the context of globalization as it is an account of German reunification. In large part, it can be seen as a project of conforming to the global norms of urban governance. Berlin was suddenly exposed to the processes other industrialized cities had been facing since the 1970s (Strom 2001: 4). After 1990, both parts of the city experienced the collapse of their highly subsidized industries and a significant decrease of jobs in the public sector (Ellger 1992: 45). The hope that there would be a boom in other sectors to compensate for the jobs has not been fulfilled. Beveridge (2012a) has argued that urban governance in 1990s Berlin and the partial privatization of the BWB should be seen as the outcome of the embedding of a “politics of inevitability” in Berlin: a (neo-liberal) policy-making agenda centered on the belief that Berlin must and, indeed, could successfully adapt to the global economy after decades of virtual separation. It was a decade defined by policy-making to “re-invent Berlin as a post-industrial service metropolis” (Häußermann and Colomb 2003: 201), as a global city. As in other cities and nation states, globalization was a “powerful agent of depoliticization” (Hay 2007: 125).

As found elsewhere around the world, this politics of inevitability took the form of “no alternatives,” along with promises of impending prosperity. Typical was the statement made by the Economy Senator, Wolfgang Branoner (CDU), in the midst of economic hardship in 1999: “Truly, we will become the most

‘state-of-the-art’ city in the Western World” (Böhm and Hasse 1999). The message was clear. Things may indeed be bad, but it is just a matter of time before Berlin will prosper. The aim of such political rhetoric was to depoliticize the socio-economic hardships which emerged in the city and the drive towards knowledge, high-tech sectors, real estate boosterism, commercialization and privatization. The naturalization of the forces of economic globalization was combined with a belief that Berlin would inevitably prosper through adaptation. Berlin was the capital of the newly reunified Germany, the largest economy in the European Union and a “gateway city,” strategically placed between Western Europe and the emerging market economies of Central and Eastern Europe (Krätke 2001: 1777). The Berlin government’s continued hyping of Berlin should be criticized, but it must be stated that many business, political, and academic experts thought Berlin was well-placed to grow into a key economic center in the global economy, at least until the mid-1990s (Gornig and Häußermann 2002: 334).

By this stage, economic and financial problems were becoming clear. Berlin’s aim to be globally “competitive” was and still is restricted by its inability to overtake rivals within the German context (*ibid.*: 339). Despite slightly improved economic development in recent years, Berlin is still far behind other German cities like Munich, Hamburg, Cologne, Frankfurt and Dusseldorf, which had developed considerably during the Cold War period and taken on many of the economic and financial functions normally associated with capital cities (e.g. Frankfurt is the German and mainland Europe financial capital; Gornig 2009).

## **BERLIN AND THE BERLIN WATER COMPANY IN CRISIS**

From the mid- to late 1990s, financial and economic problems grew. On the October 29, 1999, the same day as the partial privatization of the BWB, the President of the German National Audit Office (*Rechnungshof*) criticized the city’s government for being around 46 billion US-Dollar (90 billion DM) in debt (Schomaker 1999). In the ten years after the fall of the Berlin Wall, unemployment had risen by five percent to around 15 percent, while the city’s population had steadily dropped. Berlin was in effect a shrinking and not a global city. Although the government’s policies contributed to this financial and economic situation, the strategy of future promises through re-structuring remained intact, and relatively unproblematicized (for more detail see Beveridge 2012a).

The crisis of public finances was, however, also a result of the failed urban development projects of the city government, especially during the 1990s. Big, prestige projects were an integral part not only of trying to transform Berlin into a global city but also of neoliberal urban politics. The coalition of Christian

Democrats and its junior partner from the Social Democrats was responsible for costly projects such as the unsuccessful application for the Olympic Games in 2000 and the collapse of a public bank in 2001 (Lederer and Naumann 2011). The government also invested and promoted huge private sector investment in real estate in the city, encouraging a property boom, which went bust in the mid-1990s and resulted in huge amounts of empty office space in the city. It was within this context of attempted adaptation to the apparent norms of economic globalization and the emergence of a fiscal crisis that privatization of the public companies emerged in the mid- to late-1990s.

## MAKING WATER PRIVATIZATION INEVITABLE

Berlin's water utility and its privatization in 1999 are for a number of reasons of particular importance. The Berlin Water Company (BWB) is not only the biggest water company in Germany, it was also strategically important for private investors, to enter the still predominately public German market (Barraqué 2009: 241) and to enter liberalizing Central and Eastern European water markets. The wider context of the BWB privatization was characterized by a global trend that saw both private and municipally-owned companies become competitors in global water markets (Swyngedouw 2003: 8). Further, in many other German cities water utilities were not only privatized but also commercialized to compete with private water companies (Wissen and Naumann 2006: 3).

In line with these international trends, and the restructuring of other municipal companies, the BWB underwent commercialization even before it was privatized. The BWB was actually a profitable company at this stage. In 1995, the total revenue of the BWB was 1 billion US-Dollar (1.75 billion DM) and the profit for that year was around 30 million US-Dollar (51 million DM), according to the Executive Director (N.N. 1997). Echoing Berlin's "global city" ambitions, the BWB was to be re-made as a global player in the water market. Again, this strategy rested on the hope to establish Berlin as "gateway" city to markets in Central and Eastern Europe. Similar to other failed urban development projects, huge investments of the BWB ended in loss-making failures. Emblematic was the purchase of the wastewater treatment plant Schwarze Pumpe in June 1995, which became the most high-profile failure amongst many. In the end, Berlin lost around half a billion Euros in the course of investing in Schwarze Pumpe, according to official reviews (Rechnungshof von Berlin 2004). The BWB management was forced to deny the highest water prices in Germany were caused by such fiascos, stating that investments were funded by bank loans alone and that price increases were the result of the costs upgrading infrastructure in East Berlin (Wiengten 1997). The city's fiscal problems also increased between

1995 and 1997, with debts rising from about 27 billion US-Dollar in 1995 to around 33 billion US-Dollar in 1997 (Marschall et al. 1997).

It was in the context of the BWB debt crisis and Berlin debt crisis that water privatization was first proposed in 1997 and implemented in 1999. Ultimately, the privatization had little, if anything, to do with water management. It reveals the extent to which the traditional concerns of water policy-making and management were subordinated to the broader objectives of the government. Shifts towards neoliberal practices of government led first to the re-making of the BWB as a commercial enterprise and then as a set of assets which could and should be sold to ease the city's debts.

Apart from the opposition parties DIE LINKE and the Greens the privatization deal was accepted by most of the city's political players. Part of the deal have been promises of no price rises for the first four years, the compromise of keeping 50.1 percent in public ownership and job security of the BWB's employees, which defused initial opposition from the unions. The unions accepted the privatization as inescapable and focused on negotiating an advantageous deal for the employees of the BWB (Beveridge 2012a).

## **CONFIDENTIAL CONTRACTS, PUBLIC REFERENDUM — CONTESTING WATER PRIVATIZATION IN BERLIN**

### **Profits, Prices and Re-regulation**

The sale price of 1.96 billion US-Dollar for 49.9 percent of the company has been generally seen as high (Lanz and Eitner 2005a: 4), and can largely be attributed to a mix of the fierce competition between the water companies, especially the French giants, Vivendi and Suez, the attraction of Berlin as the new German capital with over 3 million paying customers and the continued belief that the BWB could exploit water markets in Central and Eastern Europe (Beveridge 2012a). It was also, however, a result of the details of the Partial Privatization Law which, at least initially, contained the profit guaranteeing "R+2 formula" (aimed to ensure similar annual profit rates of ca. 8 percent to those enjoyed by the privatized water companies in England and Wales).

Beside guaranteed profits for private investors other outcomes of the privatization included new decision-making structures, greater profit orientation and new regulatory instruments (Beveridge 2012a; 2012b; Hüesker 2011). Decision-making in the privatized BWB rested on the principle that no major decision can be made without the agreement of both private investors and the state of Berlin. Informal arrangements between both sides were established in order to reach a consensus prior to the involvement of the parliament in the more official decision-making procedures. These long-term, secretive and informal

arrangements reduced transparency and legitimacy in water policy despite the fact that the state still retains a majority shareholding (Hüesker 2011). Much of the financial dimension of water policy in Berlin has not been subject to political scrutiny since privatization. Profits were loosely fixed in the long-time secret contracts, and thus not open to parliamentary discussion, which had inherent and direct consequences for prices. The greater profit orientation of the BWB was followed by massive increases of water tariffs since 2004. Between 2003 and 2006 prices for water supply were raised three times (with an overall increase of 21 percent) and on four occasions for sewerage services (by a total of 30 percent). Berlin now has the highest water tariffs in Germany (Bundeskartellamt 2012).

In response to these problems, some re-regulation occurred. Gradually, from 1999 onwards, the government of Berlin introduced new laws on the methods of water tariff calculation. Before 1999, the purely public water company, namely its supervisory board, decided on water tariffs. Now, however, the Berlin Company Law (*Berliner Betriebsgesetz*) regulates in detail how water tariffs should be calculated. The Senator of Economy, who has political responsibility for the BWB, has to agree on that calculation and there must be external supervision of this process by regularly changing consultancy firms. The re-regulation of the BWB in the years following privatization reveals a process apparent in other privatized water sectors, most notably in England and Wales (Bakker 2003): introducing private sector, profit driven companies in water supply and sanitation services, and the virtually inevitable rise in prices it brings, creates social unrest which politicians usually have to address. Overall, these new regulatory capacities of the state can be seen as tools for the better control of public-private companies but they do not compensate for the democratic deficits which have emerged through privatization.

## GROWING CRITICISM AND CALLS FOR REMUNICIPALIZATION

The privatization of the BWB, originally planned by private investors as a reference for further privatization, became, because of its secretive character and negative outcomes, an increasing target of criticisms from researchers, activists and Berlin politicians (Beveridge 2012a; 2012b; Hüesker 2011; Lederer 2004; Monstadt and Schlippenbach 2006; Passadakis 2006). A change of government in the city also opened up new possibilities for questioning the privatization deal. After the banking scandal in 2001 the conservative-social democratic coalition collapsed amidst allegations of corruption and was replaced by a left, so-called red-red coalition of Social Democrats and DIE LINKE. Harald Wolf, one of the strongest opponents of the privatization, became DIE LINKE Senator for Economy and took responsibility for the public-private BWB from 2002 to

2011. He introduced the new regulatory initiatives described above. However, contradicting its own position on privatization, DIE LINKE approved further privatizations of state companies and land during the first period of the coalition government between 2001 and 2006 (Lederer and Naumann 2011: 130), e.g. the privatization of the housing company GSW, including 64,000 flats, to an international consortium of financial investment funds in 2004 (Holm 2010: 394 ff.)

Despite the declared political will to stop privatization 7,000 flats were sold in the second election period from 2006 to 2011 of the red-red Senate (Holm 2011: 95). While DIE LINKE tried to increase the pressure on the private owners of the BWB through re-regulation, social movements in the city demanded the immediate annulment of the contracts (Lederer and Naumann 2011: 140). The fact that the party did not end privatization once in power caused much frustration among social movements, while DIE LINKE themselves felt that they were being blamed for a privatization deal for which they were not responsible (ibid.). Upon re-election in 2006, however, the left government did express its desire to strengthen the public sector and the remunicipalization of the BWB was written into the coalition contract with the SPD (ibid.). Indeed, both parties in government wanted to end the deal with and dependency on the private investors. But without the private investors' agreement the state of Berlin could not officially terminate the privatization contracts prior to 2028. Thus the adoption of this policy objective may be interpreted as being a first symbolic step in putting the BWB privatization back on the political agenda.

While DIE LINKE saw no real possibility to end the unwanted privatization, a new anti-privatization social movement emerged. In 2006, the "Berlin Water Roundtable" (*Berliner Wassertisch*), disappointed by DIE LINKE and inspired by successful anti-privatization movements around the world, started campaigning against the secret contracts and rising water tariffs. Drawing on new features of Berlin's constitution, which enabled a majority of citizens to change laws via a public referendum (*Volksbegehren*), a campaign for a referendum to publish the secret privatization contracts began. After collecting about 280,000 signatures the campaign had met not only the formal conditions necessary to start a *Volksbegehren*, it also helped transform the discourse within the city on the BWB and other privatized companies. The Berlin Senate, including DIE LINKE, first blocked the initiative claiming the new law was not constitutionally applicable in this case. It was argued that it would be illegal to force private investors to publish private contracts which were finalized before this new law came into force. For nearly two years the Berlin Senate and the *Berliner Wassertisch* were before the Constitutional Court fighting over whether the Senate was allowed to control the contents of the *Volksbegehren* at this stage of the political process. The *Berliner Wassertisch* won in October 2009, with the court ruling the Senate did not have the right to stop the referendum (Hüesker

2011). Additionally, in summer 2010, Berlin's parliament decided on a new law, forbidding secret contracts with public companies.

Finally, a Berlin newspaper published the secret contracts in October 2010. Two weeks later the Senate of Berlin also published the contracts on its webpage. Nevertheless, the *Berliner Wassertisch* decided to go on with the referendum. This took place in February 2011, and a huge majority of 98.2 percent of those who voted, more than 660,000 voters, supported the law proposed by the *Berliner Wassertisch* to publish the privatization contracts (Nowakowski 2011). Ultimately, the Senate decided to comply with the outcome of the referendum and published all the confidential amendments. Besides publishing the contracts, the state of Berlin began negotiations with the private owners about remunicipalizing the BWB in 2010, and this continued after the elections in 2011 and the establishment of a new social democratic-conservative coalition. One of the private owners, RWE, and the Berlin Senate agreed on a price of 654 million Euros for the 24.95 percent share of RWE in the BWB. In 2013, the other owner, French company Veolia, also started negotiations to sell its share. The executive's plan is to fund the buy-out from the future de facto guaranteed revenues of the BWB. In other words, if Berlin becomes the only shareholder it can refinance remunicipalization out of the revenue gained from water tariffs. In the short-term, this means an increase in city debts to borrow the money to buy the company back and, in this case at least, a rejection of a local "deficit politics" (Peck 2012), whereby the aim of cutting the deficit frames policy objectives. This represents quite a turnaround when we consider that the main argument for privatization at the end of the 1990s was to reduce the city's debts. Berlin in 2013 does in fact have more debt than Berlin in 1999, even if it is no longer growing as rapidly and the city's tax revenues are increasing.

## CONCLUSION: TOWARDS POST-NEOLIBERAL URBAN GOVERNANCE?

The almost consensual privatization decision, the profit guarantee and the secretive decision-making institutions of the public-private BWB were all emblematic of the broader privatization project. However, the contestation of the privatization and its – at least – partial reversal show that despite the discursive and structural constraints of neoliberal urban governance there is the potential for change. Even in a highly indebted city like Berlin "politics and practices of hope" (Coutard and Guy 2007) can emerge. Does the case of Berlin and its water company reveal insights to possible forms of post-neoliberal urban governance?

Since 2009 the political discourse has changed significantly and utility policy has also changed. Gone is the talk of no alternatives to privatization and the need for private sector expertise. Government and civil society actors



have started openly debating models of remunicipalization, despite the continued indebtedness of the city and costs this would incur. However, a genuinely new, alternative model of public ownership for the BWB has yet to emerge and is unlikely to be implemented by the current coalition government. Indeed, throughout the anti-privatization campaign, a coherent vision of a remunicipalized company was not present. This might be seen as a challenge of working within, and “rolling with” (Keil 2009), the constraints of neoliberal urban governance. It also raises a number of questions. Just how different will the new publicly-owned BWB be? Besides providing clean and inexpensive water supply and sanitation services, what objectives should a city’s public water company have nowadays?

To be any different to traditional public companies of the past, there is a need to allow for greater public participation and control (Wainwright 2009). One prominent idea now being promoted by social movements and DIE LINKE is to establish a *Stadtwerk* – an integrated public utility company offering water, energy, transport, waste disposal, etc. (Lederer and Wolf 2010). This form of public company has a long existing tradition in German cities. The challenge is to see how this model can be reinvigorated to provide greater democracy and a new form of “publicness.”

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# Berlin Contested

Summarizing the changes that Berlin has experienced over recent years is far from easy. The main reason for this lies in the emergence of developments and conflicts that have long remained in an embryonic state but are only now taking on a fuller presence. Among these is the actually growing importance of the so-called creative industries for Berlin's economy, a veritable tourist boom in the city, the internationalization of real estate speculation and, last but not least, a bizarre over-hyping of Berlin as a hedonistic paradise for globetrotting bohemians and center of "hipness."

A "new complexity" and various political fissures characterize the current situation and make an already complicated communication between different urban actors and groups even more difficult. This is also true for discussions in academic circles concerned with urban developments. On the one hand, urban topics have become more central than ever before for political and public debates in the city. This is due to rising rents and the discovery of gentrification that after having been neglected for a long time has become a prime concern for local journalists, politicians, and social movements. On the other hand, and in contrast to earlier periods, it has become nearly impossible to identify shared key issues around which scholarly debates would be positioned. Thus, paradoxically, an increased interest of international urbanists in Berlin and a rising number of dissertations and publications on the city seem to go hand in hand with less strategic and focused debates about the city as a whole. It should also be noted that more and more texts are published in English for an international audience without even getting noticed in the city itself.

The articles we selected for the last chapter of this volume somehow reflect this odd situation. They all address significant issues and conflicts for understanding Berlin's transformation since the fall of the wall, yet the issues discussed are hardly specific to Berlin. As in other metropolises, the "naturalization" of neoliberal policies together with new forms of migration and travelling, a growing social heterogeneity, or increasingly more de-localized urban lifestyles and consumer cultures have made it more difficult to define the fault lines of social struggles, and this is increasingly manifested in Berlin, too.

The section starts with a paper written by Stephan Lanz, an urban scholar, working at the Viadrina-University in Frankfurt (Oder). Lanz takes a critical look at the

much-celebrated transformation of Berlin into a “cosmopolitan city.” Applying a historical perspective, he sets current changes in relation to the historical frameworks of Berlin’s immigration policies and traces a trend of benchmarking and the festivalization of so-called integration policies.

Johannes Novy, who wrote his Ph.D. on urban tourism in Berlin and New York City, discusses the remarkable rise of Berlin as a new international tourist magnet and the development of tourism to a key economic sector in the city. He also shows that this development is not too well liked by many Berliners and discusses the dark sides of this boom. This enables him to provide a nuanced perspective on the new conflicts that emerge around the “touristification” of Berlin.

Related to this, Albert Scharenberg and Ingo Bader take up the widely celebrated Berlin techno culture and analyze the linkages between local avant-gardes and global entertainment industries. They describe a somewhat tragic development and outline that Berlin’s fame as creative capital is largely based on cheap labor and low living costs – and that both these factors are endangered by the successful rise of Berlin to a global marketplace for entertainment industries.

The resulting tensions have become most visible in the conflicts around “Mediapree,” a strip of vacant land at the Spree River that has been designated for development into a global office center by the local government of Berlin (the Senate), but is currently used as a mix of green space and club location by Berliners and visitors. The planned transformation has been challenged by a unique coalition of leftist activists, residents, club-owners, and artists for more than six years. Jan Dohnke, a geographer from Berlin, takes stock of this experience and discusses its central lessons for future protests.

Taken together, all these articles show that it is not so much intellectual malaise that is to blame for the above described lack of orientation. Rather, we would argue, it is also due to an emerging “post-political climate” that key issues that can characterize Berlin’s recent development have become hard to identify. Notwithstanding many difficulties, it has at least to be mentioned that Berlin is currently experiencing a remarkable rise of protests and social movements struggling for the “Right to the City” across many different arenas. The outcome of these movements is unpredictable – of course. What is certain is that Berlin is about to face tremendous changes again: this, we think, provides amazing opportunities but also a striking need for new critical urban research.



# Berlin Diversities

## The Perpetual Act of Becoming of a True Metropolis<sup>1</sup>

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*Stephan Lanz*

At a global level, Berlin today has the image of a cosmopolitan metropolis, characterized by a dynamic ethnic and cultural diversity. This image of the city increasingly correlates with everyday experiences, where public spaces in inner city districts like Mitte, Kreuzberg, or Neukölln exhibit, if you will, a Babylonian diversity of languages or cultural symbols previously only associated with global cities like New York or London. Until recently, the dominant perception in the German city was one that recognized a diversity of lifestyles on the part of the native majority, but regarded immigrants – usually equated with guest workers – merely as members of supposedly homogeneous ethnic or national cultural groups.

In the following text, I use the example of Berlin to analyze the question as to what extent, why, and in what manner this fantasy image of a city in which immigrants were considered an “alien presence,” or at least as supposed “others,” was transformed into one of the city as an ethnically and nationally diverse metropolis. To do that, I’d like to reconstruct the *dispositifs* that politically condition the sphere of activity “migration/city,” and in doing so identify their core elements at the local and national level, as well as mark the historical breaks that have made possible the transformations thus outlined. According to Foucault (1977), the term *dispositif* denotes “a thoroughly heterogeneous ensemble consisting of discourses, institutions, architectural forms, regulatory decisions, laws, administrative measures, scientific statements, philosophical, moral and philanthropic propositions – in short, the said as much as the unsaid.” In other words, a *dispositif* is the entirety of “means, mechanisms, and measures established for the treatment of a specific problem” (Keller 2001: 134). Foucault assumes that a (new) *dispositif* emerges from a state of emergency

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**1** | Source: Lanz, S. (2011) Berliner Diversitäten: Das immerwährende Werden einer wahrhaftigen Metropole. In Bukow, W.-D. et al. (eds.) *Neue Vielfalt in der urbanen Stadtgesellschaft*. VS Verlag für Sozialwissenschaften, Wiesbaden, 115-133.

when an (existing) *dispositif* becomes precarious and generates the need for action. Thus, with regard to their specific sphere of activity, *dispositifs* have the strategic function of fending off a state of emergency, plugging a kind of “leak” (to use Gilles Deleuze’s term).

My argument is that in the formation of an “immigration/city” *dispositif*, a central role is played – alongside the national political culture and the respective dominant conception of the nation – by the “urban meaning” of a city (Castells 1981), that is to say, the always contested identity and meaning attributed to a city corresponding to the interests and values of the dominant social actors at a given time.

## 1871 FF.: THE *DISPOSITIF* OF THE NATIONAL-HOMOGENEOUS BIG CITY

The enormous boom experienced by Berlin as a result of its transformation into an industrial city and its new status as capital of the German Empire after 1871 was accompanied by strong migration to the city, including foreign workers. The *dispositif* of the national-homogeneous big city, the predominance of which survived three regimes and only subsided at the end of the 1970s, developed in the space between the priorities of the construction of the German nation as an *ethnos*, a closed door policy with regard to Eastern Europe, and the extreme growth of Berlin, the size of which increased tenfold over the course of a few decades.

A large part of the labor migration to Berlin, in particular from Poland, was temporary: out of the prevailing *jus sanguinis* “there developed since the beginning of the economically motivated immigration [...] of Eastern European workers to the German Empire a principle of rejection toward foreigners, based upon the exclusivity of blood descent” (Herbert 2001: 68). The racist admission practice selected members of Western nations as “related” and “worthy,” as distinct from Jews and Slavs, who were to be rejected as “undesirable elements.” This closed door policy supplemented by mass deportations went hand-in-hand with selective conditional immigration on the basis of “usefulness” (cf. Ha 2003). In Berlin, large scale industries received special permits to employ foreign workers, particularly for large public construction projects like *U-Bahn* and *S-Bahn* tracks, or the *Reichstag* building. Thus, despite the ban on employment for foreign Poles, a dual labor market emerged, in which foreigners with the lowest wages served as a buffer against changes in the economic cycle. In the case of an economic downturn, mass deportations followed, legitimized by a “national-political demagoguery” (Herbert 2001: 49). Legally employed industrial workers were housed in mass accommodation separate from the rest of the population, to prevent them from becoming settled. In the First World

War, this repressive regimentation changed into outright slave labor, in order to compensate for the shortage of labor-power caused by the war. That would not have been possible without debates about “foreign infiltration” spanning decades and repressive special laws for foreigners.

In the Weimar Republic, policy on foreigners remained an “ethno-nationalist anti-Polish closed door policy” (Oltmer 2003: 87). When a few hundred thousand Russian émigrés nonetheless moved to Berlin and Paris in the 1920s, this was considered a threat in Berlin, whereas in Paris it was regarded as a confirmation of its outstanding importance (cf. Kiecol 2001). In contrast to Paris, whose cosmopolitanism led to its consolidation as the “capital of the 19<sup>th</sup> Century” (Walter Benjamin), Berlin experienced rapid growth, becoming the third largest city in the world, but was perceived as an anonymous and threatening agglomeration. At the same time, the dominant actors from the period of the Empire until the Nazi era constantly pursued the goal of developing Berlin as an imposing symbol for Germany’s status as a world power, while nonetheless condemning the “Babylon on the Spree” (meaning the internationalism and liberalism of the modern metropolis) as a threat to society. Even left-liberals usually engaged in polemics against its international flair.

Progressive city administrators confronted the accusation that Berlin was alarmingly unstable – intensified by the shock to traditional orientations during the First World War and the revolutionary events immediately following it – by stylizing the city as a symbol of youth: Berlin “strove, with the attribute of youthfulness, to awaken associations such as ability, energy, optimism, and vitality and to equate them with the post-war youth” (Stremmel 1992: 155). But this fragile structure had already collapsed during the world economic crisis after 1929, as a large part of the population was impoverished. In the crisis, a “defensive attitude toward everything foreign” (ibid.) intensified. It was not only conservative currents that saw the vision of a modern Berlin as a failure and attempted to curtail urban diversity.

After the Nazis came to power, they adopted some of the images of Berlin from the Weimar Republic, in order to present a model capital to the world. They also propagandized for Berlin as a global city of modern technology and resorted to symbols of youth: the official guide to the city, “Das neue Berlin,” presented a “young, clean, bountiful city, full of joie de vivre” (ibid.: 278). However, the Nazis also attempted to eliminate any kind of international or liberal urban diversity, whereby their institutional racism toward “foreign workers”<sup>2</sup> was distinguished, according to Ulrich Herbert (2001: 187) not so much by its principled orientation so much as its radical escalation of the decades-long practice of racist discrimination, particularly against Eastern Europeans. The

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**2** | Translator’s note: the German word *Fremdarbeiter* has a more explicitly Nazi connotation than the comparatively mild-sounding English translation.

living conditions of the slave laborers imported after 1940 were linked to traditional racist hierarchies, which classified Soviet citizens at the very bottom, along with Jews and “gypsies.” They had to live as undernourished prisoners in camps, whereas Western European slave laborers received the same wage as Germans and could move freely through the city. Despite an order by the Gestapo to transfer all foreigners to camps, 120,000 “foreign workers” are presumed to have lived in private dwellings in the middle of Berlin.

After the war, Berlin lost its significance as one of the most important metropolises of Europe. In West Berlin, economic growth and wage levels remained far behind those of the Federal Republic of Germany. Only when cross-border commuters could no longer work in West Berlin as a result of the construction of the Berlin Wall did industry start to suffer from a shortage of labor-power. As foreign “guest workers” were now recruited primarily in Turkey, since people willing to emigrate could hardly be found among West European treaty partners, general legal and political conditions were cemented in the Federal Republic of Germany. The intended “rotation system” and the identity card (*Legitimationskarte*) that had survived three different social systems illustrate the striking continuity of immigration policy and expose the narrative of a (police order on foreigners, APVO for short) and the new beginning as a “fiction” (ibid.: 201): in the 1950s, the order concerning foreign workers (*Verordnung über ausländische Arbeitnehmer*) of the Nazi regime were re-implemented. In the continuity of the APVO, the Law on Foreigners of 1965 was aimed at making it possible to comprehensively account for all non-Germans and, if needed, to deport them. Selection according to place of origin and skin color was official policy. Thus, so-called “Afro-Asiatics,” as a “total category of the incompatibly foreign” (Schönwälder 2001: 259), were denied residency permits as a matter of principle.

The attitudes of politicians and the media had also hardly changed since the time of the German Empire: the deployment of foreign workers was regarded positively as a mobile counter-cyclical economic buffer. When the economic usefulness of this strategy became questionable during the first recessions, public discourse concerning a “foreigner problem” began to solidify, which culminated in an end to the recruitment of foreign workers in 1973. Manners of speaking concerning “otherness” and a lack of assimilation rested upon a conception of a national economy and culture being illegitimately appropriated by foreigners. “Evidently this threat scenario, so influential within German nationalism since the end of the 19<sup>th</sup> century, was still familiar and had not been disavowed as a result of history” (ibid.: 200).

The central element of the *dispositif* of the national-homogeneous big city is the conception of the foreigner as an alien element. In the city, this was materialized through the two spatial types of the camp and the “ghetto.” From the perspective of state apparatuses, the camp granted the possibility of keeping

immigrants under complete control. The “ghetto,” on the other hand, understood as a voluntary spatial concentration, embodied precisely the danger of losing this control. Authorities therefore sought to house as many foreigners as possible in camps, in order to segregate them from German nationals. In 1971, 400 immigrant hostels still existed in Berlin. The “keeping of humans” in overcrowded, poorly furnished barracks, the monitoring of their private sphere, as well as the spatial surveillance of their residency all recalled the practice of rule in the former German colonies (Freiburghaus and Kudat 1974: 51).

However, even during the German Empire, most Polish immigrants had spread throughout the working class districts. Even the Nazis were unable to place all foreigners in camps. In this framework, the inner city Scheunenviertel of Berlin (whose name literally means “barn district”) served as a projection screen as a “politically threatening agglomeration” of poorer and often Jewish immigrants from Eastern Europe. From 1906 on, the city administration began a demolition and redevelopment project, later continued by the Nazis, in order to oust unwanted immigrants and deport them as “burdensome foreigners” or resettle them in peripheral barracks. In West Berlin, the ghetto discourse also structured the debate concerning policy on foreigners. When neighborhoods where foreigners were conspicuously visible started to emerge in the early 1970s, fears arose concerning the emergence of “ghettos” and a disintegration of “established society.” In 1973, warnings about explosive situations in the cities became dramatic: The revived term *Fremdarbeiter*, which hinted at plundering slave laborers at the end of the war, connoted foreigners as a “walking time bomb.” The “ghetto” was established as the central metaphor of the foreigner as an “alien presence” that intentionally separated itself from Germans. In order to decrease their spatial “concentration,” the Berlin Senate passed an ordinance prohibiting foreigners from moving to Kreuzberg and two other districts. Kreuzberg, a poor working class district in which many foreigners who had been pushed out of the Scheunenviertel had found accommodation, soon developed into the nationwide symbol of the ideological battles concerning the immigration complex, and was regarded as an “appalling” ghetto inhabited by foreigners and drop-outs, posing a threat to German citizens (Frankfurter Allgemeine Zeitung, June 13, 1975).

## **1981 FF.: THE *DISPOSITIF* OF THE MULTICULTURAL-DIFFERENTIAL METROPOLIS**

Over the course of the 1970s, the ideological consensus concerning policy on foreigners ended up in a contradictory relationship with enduring processes of immigration and corresponding everyday urban experiences. Previously, immigrants were defined as temporary guest workers and understood as a uni-

form category of “members of foreign ethnicities.” But in the everyday life of the city, some “foreigners” were hardly still perceived as such, while others were even more so. As increasing numbers of non-European asylum seekers reached Europe, a new system of classification emerged based upon cultural and ethnic differences. Over the course of the 1980s, the question of the ability of immigrant groups to integrate was tied to a national and cultural identity which, like that of ethnic descent, was considered “mentally and spiritually innate” (Morgenstern 2002: 315).

In Berlin in the 1970s, Social Democratic urban development policy – which strove to create a homogeneous urban space separated into functional zones, as well as standardized living conditions – entered into a crisis: processes of social reorganization “demolished the system of Social Democratic socialization” (Homuth 1987: 101). The overall concept of the modern city collapsed in the face of decreasing opportunities for taxation on the part of the state and declining financial means, as well as the broad resistance of the population. It was ultimately a construction scandal in 1981 that ended the decades-long predominance of the Social Democrats in Berlin and brought the Christian Democratic Union (CDU) to power. The CDU, with a brief interruption, dominated Berlin politics until 2001. 1981 thus marks, as I would like to show in the following, the emergence of a new migration/city *dispositif*, that of the multicultural-differential metropolis, which reacts to the state of emergency of the crisis-ridden *dispositif* of the national-homogeneous big city, and becomes interlaced with it.

Particularly in Kreuzberg, “the cartel consisting of construction companies and state planners” fell apart in the face of the resistance of the population (Krätke and Schmoll 1987: 53). In 1981 in Kreuzberg, numerous squatted houses were defended, sometimes violently. In order to confront the crisis of the Fordist city with appropriate urban renewal strategies, the Senate of Berlin initiated an International Building Exhibition (IBA). It encompassed social pedagogic, spatial-construction, and self-help promoting concepts and employed a Turkish Commissioner for Foreigners in order to advance the integration of immigrants. This “careful urban renewal” was oriented toward the needs of residents and functioned as a sort of preventative social policy. The Senate for Social Affairs in turn set up a support program for self-help groups that soon supported 50 groups with a focus on foreigner policy. The buzzwords of this “transformation of municipal activity” (ibid.: 61) – flexibilization, decentralization, self-help, participation, and “endogenous development” – were just as attractive for neoliberal CDU positions that aimed at rolling back the welfare state in favor of local communities, individual responsibility, and market-oriented regulation, as they were for an “alternative” scene that was able to impose its interests through participation procedures.

The programmatic orientation of the foreigner policy of the new Senate corresponded with this transformation of urban and welfare policy: previously

understood as a “problem of state planning” foreigner policy was now established as “commissary policy” (Schwarz 2001). Berlin was the first federal state (*Bundesland*) to introduce the office of a “Commissioner for Foreigners” that conceived and coordinates measures for foreigner policy. Barbara John, who held the office for 22 years, followed an ambivalent political course. Its conservative side sought to reduce the number of foreigners, in harmony with the national conservative government in power since 1982. At the same time, it focused upon the cosmopolitanism of Berliners and promoted the acceptance of “other cultures.” If self-organized immigrant groups were previously regarded as entities promoting ghettoization, now a temporary “emphasis upon one’s own ethnic identity” was no longer interpreted as inhibiting integration per se. Rather, the self-help coffer of the Senate supported a “dignitary politics” (in the words of Thomas Schwarz) drawing upon conservative traditions that no longer perceived immigrants as victims, but rather as independent subjects. Increasingly, the focus shifted to social problems such as the inadequate educational situation of youths, or increasing unemployment among immigrants as a result of urban deindustrialization. This political course of the Senate, which promoted the social activity of foreigners not least in order to compensate for their exclusion from the political system, transformed organized communities. Initiatives that had previously been political now founded neighborhood centers or youth projects in order to fulfill the criteria to receive funding.

Since the techniques of intervention described above derived their inputs from the socio-cultural needs of those affected, urban cultural policy increasingly became an instrument of social control. Although the depletion of West Berlin by a decline in the population, increasing unemployment, and constantly increasing federal subsidies became emphatically clear by 1985, the head of the local government, Eberhard Diepgen, described Berlin as a cultural metropolis that could measure up to Paris, London, and New York. As was the case with previous regimes: “Berlin is primarily a young city, a city for youths” (Presse- und Informationsamt 1985: 29). Urban renewal, an increasing number of mass festivals, as well as the promotion of socio-cultural initiatives coalesced into an “identity politics” (Homuth 1987: 103). The promise of cultural tolerance and diversity was supposed to symbolically integrate those milieus which were drifting apart in the process of socio-economic reorganization.

The Senate’s concept of integration was a part of this socio-cultural identity politics, to the extent that it focused upon feel-good aspects and culture, but not upon social rights: integration meant “the greatest possible tension-free coexistence, [...] feeling comfortable and at home with each other.” For the first time ever, “the coexistence of different customs and cultures [could] be experienced as enrichment through diversity.” The Berlin Senate thus prioritized “programs of integration” that left “a wide space for the cultural independence of foreigners” (Der Senator für Gesundheit 1982: 6 f.). Diepgen emphasized

that “a metropolis like Berlin [lives] from diversity, from variety, from immigrants” (Presse- und Informationsamt 1985: 30). On the one hand, Diepgen boasted that the decline of Turkish foreigners was a result of CDU policies, while on the other hand he no longer linked the presence of foreigners to their economic contribution, but rather with their contribution to the cultural diversity of the metropolis. Here a transformation becomes manifest, from the “big city,” which stood for a unified culture and social equality, to a “metropolis,” in which social antagonisms are naturalized through the plurality of lifestyles. An “assimilative multiculturalism” (cf. Lanz 2007) became predominant, which tolerates, promotes, and makes use of cultural diversity, but which also conceives of a hierarchical relationship between a majority society representing a norm and immigrant communities that are expected to conform to preexisting norms.

Whereas the “part of an ambiguous political approach that dealt with integration policy was delegated” (Schwarz 2001: 132) to the Senate for Social Affairs and the Commissioner for Foreigners, the right-wing conservative Interior Senator was responsible until the year 2001 for the repressive aspects inherited from the *dispositif* of the national-homogeneous big city, making the immigration of family members of foreigners already living in Germany more difficult, pushing for deportations, making repressive integration demands, and reviving the ghetto discourse in the late 1990s.

The brief interregnum of a Red-Green coalition government, the fall of the Berlin Wall in 1989, the unification of the city and the decision to make it the capital of Germany did not bring any essential changes to city policy on foreigners. On the one hand, the ridiculous boom fantasies – politicians and experts predicted that after 1990 Berlin would make a great leap in importance toward becoming a global city with six million residents – were accompanied by (traditional) closed door policies against Eastern European immigration, imagined as a threatening tidal wave. This was legitimized by a racist anti-Slavic discourse, which had already dominated the *dispositif* of the national-homogeneous big city. On the other hand, questions of integration policy were regarded as being of secondary importance in the face of the task of reunifying Berlin and making infrastructural preparations for the supposed boom: Berlin, asserted Eberhard Diepgen in his government policy statement of 1991, could not become a city of immigration in this situation of radical change. Even the SPD, now a participant in government as part of a grand coalition, was primarily focused upon “reducing the estrangement between East and West [Berlin]” (SPD-Berlin 1991).

Whereas repressive measures by the Senate of the Interior aimed at rolling back immigration – not least by means of mass deportations of Poles, the Commissioner for Foreigners delved further into a multiculturalism that allowed immigrants the representation of their “cultural identities” while at the



same time aiming for their socio-political self-help. In order to “set a concrete signal for the growing cultural diversity” of Berlin, the Commissioner founded a “Workshop of Cultures” (John 2005: 9), which since 1996 has organized a “Carneval of Cultures,” which has quickly grown to become a tourist mega-event. Within the framework of the historical German concept of defining cultures as ethno-national units, this “identity spectacle” (Levent Soysal) followed the logic of an “exhibition of peoples” in public perception until well into the 2000s, in which “foreign” ethno-cultures are presented to the majority society.

Whereas the “Carneval of Cultures” developed into a symbol of lived multiculturalism esteemed by all, socio-economic crisis scenarios gained ground in Berlin. The dreams of urban boom had burst after a short period of time, and two-thirds of industrial jobs had disappeared. The unemployment rate fluctuated between 15 and 20 percent. Berlin plunged into a dramatic debt crisis and the grand coalition established austerity policies that cut and privatized municipal services. In public discourse, gloomy crisis scenarios, which envisioned Berlin’s socio-economic decline, held sway from 1997 on. To the extent that precisely inner-city immigrant districts exhibited high rates of unemployment and poverty, a ghetto discourse was revived that contained discursive figures identical to those of its historical predecessors and was aimed at the very same urban spaces, Kreuzberg and later Neukölln. Once again, discussion focused upon the allegedly voluntary self-segregation of foreigners from “Germans,” their lack of willingness to integrate, and an ominous slumification. Nonetheless, the public funding program “Soziale Stadt” (social city) was established, which was used to intervene in disadvantaged districts with the aid of a preventative social policy focused upon self-help and participation that had been developed in the early 1980s.

## 2001 FF.: THE *DISPOSITIF* OF THE COSMOPOLITAN-DIVERSITARIAN METROPOLIS

In the year 2001 the grand coalition disintegrated, again due to a scandal, and after new elections the SPD and the PDS (Party of Democratic Socialism, today part of “Die Linke”) formed the so-called red-red coalition. Again, this political rupture was preceded by a profound transformation related to both the “urban meaning” of Berlin as well as national immigration and integration policy. The resulting crisis of the dominant immigration/city *dispositif* of the multicultural-differential metropolis generated a “state of emergency” in which a new *dispositif* was established: that of the cosmopolitan-diversitarian metropolis.

At the national level, the reforms of the citizenship laws by the red-green coalition government since 1998 broke for the first time with the concept of *jus sanguinis* and declared Germany to be a country of immigration. Chancellor

Gerhard Schröder also started a “green card” initiative that was intended to recruit foreign laborers for the first time since the ban on recruitment in 1973. Although it only managed to achieve a modernized system of recruitment, tailored to “highly qualified guest workers,” it fixed a new idea in the national political discourse, which linked immigration with the international competitiveness of the country.

In the context of the political philosophy of the red-green national government and its move from Bonn to Berlin, the picture of Berlin in the media – which in 1998 was still dominated by scenarios of urban decline – underwent a fundamental transformation. Already in 1999, in its issue number 36 from 1999 with the cover story “New Berlin – Aufbruch zur Weltstadt,” *Der Spiegel* hyped Berlin as New York’s successor as the paradigmatic global metropolis of the new century. With the red-green national government, the figure of the *culturepreneur*, a new type of cultural businessman, became a part of Berlin’s landscape as the national capital as well as the image politics of the government. In his intention to reform national identity after the Kohl era, chancellor Schröder stylized an urban “new center” as the main addressee of his policies. To the extent that the subcultural diversity of post-*Wende* Berlin became increasingly commercialized and attracted all kinds of culture industries – such as MTV or Universal Music – to the city, Berlin appeared as a cool territory with optimal development possibilities for innovative *culturepreneurs* (Lange 2005). In the perception of the media, Berlin became a “human workshop” and an “experimental laboratory for long overdue changes” (*Der Spiegel* 36/99). Not least, this new Berlin discourse construed new immigrants, considered to be especially dynamic, as pioneers of a neo-liberal process of social reconstruction oriented toward individual self-responsibility.

Internationally, Berlin was also increasingly perceived as an “exciting” metropolis characterized by a dynamic cultural scene, social liberality, and the availability of spaces that had not yet been commercially exploited. Alongside tourism, temporary forms of migration began to boom among young adults who arrived as students, artists, or long-term travelers and stayed for a while. Once again, the label of Berlin’s youth came to the foreground of the city’s official marketing. The message was: “Young Berlin: Berlin gets a new face: fresh, dynamic, young” (Berlin-Brief 99/01). Berlin was conceived of as a city of the future, as the cultural capital of the 21<sup>st</sup> century (cf. Hurtado 2005) with the attributes of cosmopolitanism, urbanity, and diversity. As in the 1920s and 1980s, the “urban meaning” of the city was constructed around its cultural force and diversity as well as its supposed youth, in order to point a way out of the city’s deep socio-economic crisis.

Not least in the context of urban experiences in which news forms of international mobility and cultural hybridization began to become a part of everyday life, the authority of a *dispositif* of a multicultural metropolis that understood

cultures as delimited units existing alongside one another within a historical continuity began to crumble. The image of Berlin characterized by narratives of urban decline manifested in the ghetto discourse, which stood in diametric contradiction to the cultural dynamics experienced in everyday life in Kreuzberg, was also no longer sufficiently convincing. In contrast to the 1920s, when “foreigners” were considered undesirable or at least as suspect alien elements, and to the 1980s, when they were kept at a distance as an ethno-cultural “other,” for the first time there emerged within this new framework a discourse that no longer split off an ethno-national/cultural “other” from one’s “own,” but rather declared national, cultural, ethnic, as well as social diversity to be characteristic features of a metropolis and worth supporting.

Precisely from an economic perspective, emphasis was now placed upon the dynamic of cultural processes of hybridization: “Positive interaction with diversity,” according to the integration concept adopted by the red-red Senate in 2005, “promotes intercultural competence, the vitality and capacity for the city to act, and leads to advantages in the international competition for attractiveness” (Abgeordnetenhaus 2005: 71). In this official political document, for the first time in Berlin the essentialist concept of culture is replaced by a concept that understands culture as dynamic sets of everyday practices and discourses that constantly blend with and influence each other. Furthermore, and this also marks a shift with regard to traditional multiculturalism, this discourse is concerned primarily with the economic potential of immigrants for the globally competitive metropolis.

This “diversitarian multiculturalism” (Lanz 2007) is also reflected in an altered landscape. The focus is no longer upon urban spaces that deviate in a deficient sense from a supposed normality (ghettos), but rather upon neighborhoods conceived of as cosmopolitan, whose obvious, profoundly fluid internationality is no longer linked to the classic German image of “migration,” neither in the sense of labor migration nor in the sense of a permanent process of immigration. Here, the city is only considered “sustainable” if it proves to be cosmopolitan enough to be attractive and open to globally mobile milieus. It was precisely Kreuzberg, which until recently was still maligned as a “ghetto,” that was now considered a model laboratory for a successful city of immigration. Thus, the Social Senator of the red-red government, referring to the 2004 annual report of the national “Expert Advisory Board for Immigration and Integration,” described Kreuzberg’s diversity as a value-creating location factor effecting the influx of creative individuals and media businesses (Lanz 2007: 226).

The mayor of the Kreuzberg district attempted in 2004 to realize a “total intercultural concept” which, under the term “managing diversity,” was intended to subject institutions to an intercultural opening, support the potential of ethnic minorities, as well as dismantle discrimination, all the while explicitly dis-

tancing itself from the dominant concept of integration. However, this renunciation of a paradigm of integration that unilaterally demands that immigrants blend into the majority society could not even be implemented in Kreuzberg, a district characterized by a progressive attitude with regard to questions of immigration. Nonetheless, the official government concept of integration has undergone a considerable shift in meaning. In the “Twelve Essentials of Berlin Integration Policy” that constitute the foundation for the integration concept of the Senate, integration is no longer a form of “restriction” (cf. Schulte 2000), but rather demands of the host society that it should “interculturally open institutions and procedures” (Abgeordnetenhaus 2005: 9). Integration policy is here conceived of as a permanent process involving all population groups, and which should encompass the social, economic, legal, and cultural dimensions of integration.

However, the political goal of diversity, which is linked here to equality between the most diverse social milieus and lifestyles in the city, has yet another side that dovetails with the model of the “activating welfare state” implemented by the red-green federal government: whereas municipal integration policy since the 1970s was “largely [...] identical with welfare policy” (Sackmann 2001: 17) – the multiculturalism concept of the 1980s supplemented this with a socio-cultural offer of identity – this social character progressively vanished with the “neoliberal turn:” precisely in the field of integration policy, an “economization of the social sphere” became manifest (Lemke 1997: 248). To the extent that in Berlin in the last decade the unemployment rate for statistical foreigners fluctuated around the 40 per cent mark, the demand is addressed to foreigners to exhaust their economic potential. Here, integration implies a successful “interpellation” as a subject subsisting without welfare benefits, participating in urban society through individual initiative. Since the state interpellates the subject as an entrepreneurial self, “all those who are integrated have to calculate their behavior in accordance with the terms of an ‘investment’ in their own person and their family” (Rose 2000: 95). Education and the “activation” of the individual acquire a central position in integration policy, whereas social conditions such as institutional racism, which also disadvantages qualified immigrants in the labor market, tend to be ignored (cf. Lanz 2009).

The *dispositif* of the cosmopolitan metropolis is based upon a conception of diversity that regards the cultural, social, and ethnic diversity of individual residents to be socially enriching and economically useful, while accepting the resulting social inequalities and addressing subjects as entrepreneurial subjects responsible for their own material existence.

As was the case in the 1980s, the establishment of a new migration/city *dispositif* – at the center of which stands a conception of a socially diverse city – in no way implies that the elements of the other two *dispositifs* have entirely disappeared. In Berlin, as a consequence of the attacks in New York on September

11, 2001, political positions that invoked a *clash of cultures* and that racialized Muslims as others were strengthened. These political positions were rooted in the historical archive of German immigration discourse. Once again, a ghetto discourse was intensified, accompanied by proposals for political intervention that aimed at stigmatizing immigrants, this time focused upon the district of Neukölln. Neukölln symbolized not only the problems of a city of immigration, but also the social dystopia par excellence, in which all alleged threats – disintegration, poverty, exclusion, brutal youths, religious conflict, violence – were spatially condensed into a powerful, socially and culturally explosive mixture. Nonetheless, in the Berlin in the early years of the new millennium, such conceptions were unable to develop sufficient power of persuasion to swamp the concept of the cosmopolitan metropolis.

## CONCLUSION

A historical look back at the interconnection of immigrant and urban development in Berlin reveals the existence of three immigration/city *dispositifs* that were established within the context of specific historical events in order to plug a contingent “leak” caused by a rupture of the previously dominant *dispositif*. Unsurprisingly, the first event was the founding of the German nation state: the *dispositif* of the national-homogeneous big city developed – with regard to the state – from the concept of the German nation as a community of descent and common culture and – with regard to the city – from an “urban meaning” that interpreted Berlin as a permanently crisis-ridden “city without an identity.” In the interrelation between the national and the urban, this *dispositif* contains core elements that are operational even today: the conception of foreigners as an alien presence, which obtains an urban-spatial manifestation in the ghetto discourse, an essentialist and ethno-nationalist concept of culture, which generates exclusionary postulates with regard to all-too foreign ethnic groups, as well as – at the urban level – an imaginary picture of Berlin on the one hand as a proletarian city without identity, stability, and a bourgeoisie, but on the other hand as a youthful, modern cultural metropolis.

Neither the transition to the Weimar Republic and then the Third Reich, nor the transition to the Federal Republic, were able to shatter this *dispositif*. Rather, only with the globalization of migratory movements as well as the decline of the Fordist welfare state model and the concept of the modern state was this possible. With the change in government consummated in 1981 from the social democrats to the conservatives, a new immigration/city *dispositif*, interlaced with the old one, was established: that of the multicultural-differential metropolis. In this new *dispositif*, the essentialist concept of culture as well as the notion of Berlin as a youthful cultural metropolis remained, but now immigrants were no

longer regarded per se as an alien presence. On the basis of a selection between “good” (related, useful) and “bad” (purportedly all-too-foreign) cultures, they were considered to be a potential enrichment of the post-Fordist metropolis, the basic principle of which was no longer homogeneity, but rather (social, national, cultural, and spatial) difference. However, all of this was to exist under the umbrella of the dominant culture of the majority society, whose imagined standard-bearers were to exclude or “reign in” (cultural or social) deviations that went too far, with the help of restrictive political intervention. Particularly in crisis situations, such as the shaking up of the borders to Eastern Europe as a result of the fall of the Berlin Wall, or the emergence of urban spaces of poverty in the late 1990s, elements of the “old” *dispositif* that had been supposedly overcome – such as anti-Slavic racism or a ghetto discourse that interpreted certain ethnic groups as an alien presence – came to the surface once again.

The *dispositif* of the multicultural-differential metropolis was exhausted within two decades. Once again, the national – the break with the concept of the German nation as a community of descent – was interlinked with the urban: on the one hand, processes of cultural hybridization and a dynamic internationalization of urban society had become everyday experiences in Berlin, and on the other hand they were now regarded as factors to be supported in establishing a location for business, and which pointed the way out of the deindustrialization crisis. In the year 2001, it was once again the collapse of the Senate and a change of government to a coalition between social democrats and socialists that consequentially enabled the establishment of a new migration/city *dispositif*: the *dispositif* of the cosmopolitan-diversitarian metropolis now broke with the essentialist concept of culture and with the distinction between one’s national-ethnic-cultural “own” and an “other,” radicalizes and economicize the image of Berlin as a globally important, young cultural metropolis and establishes the notion of an urban society characterized by social, cultural, ethnic, and national diversity. Here as well, the new *dispositif* does not completely replace the old one, but rather becomes interlaced with it. Numerous debates conducted in the last decade, and the political strategies derived from them concerning supposed ghettos and parallel societies, which in particular constitute Muslims as a racial “other,” reveal that central elements of *both* *dispositifs* established earlier continue to live on and repeatedly reach a boiling point during crisis situations.

Perhaps it is precisely the economic dimension of “diversity” that speaks in favor of the fact that the *dispositif* of the cosmopolitan-diversitarian metropolis – an ensemble of specific means, mechanisms and measures based upon a specific concept of diversity that shapes the sphere of activity migration/city in Berlin – was able to establish itself in a stabile manner. With regard to the complex of immigration, this would mean that for the first time in Berlin since the founding of the German nation state, ethnic, cultural or national diversity as well as ongoing international processes of migration are officially regarded

as urban normality and the traditional dichotomy between “Germans” vs. foreigners is being dissolved.

*Translated by Alexander Locascio*

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# **“Berlin Does Not Love You”**

## **Notes On Berlin’s “Tourism Controversy” and its Discontents<sup>1</sup>**

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*Johannes Novy*

The word “Berlin,” a crossed-out heart, a capital “U,” and an unmistakable message: when the by now notorious “Berlin does not love you” stickers first appeared in the city in the summer of 2011, there was considerable commotion. However, the stickers really shouldn’t have been a surprise, since they didn’t simply materialize from nothing, but rather reflected a conflict that had been emerging for a considerable period of time, one which the media had already long-since taken notice of. Whereas Berlin’s business elites and politicians had been intoxicated by constant new records in the number of visitors, and the booming tourism branch was stylized, with the enthusiastic support of the media, as a kind of savior for the economically troubled city, many residents particularly in the inner city have reacted far less enthusiastically to the constantly increasing flood of visitors in their neighborhoods. While often far more reflective than portrayed by the media, their criticism of and resistance against the increased deluge of tourists has led to heated debates about the way tourism impacts urban space and the role tourism plays in wider processes of urban change. It is a debate that is long overdue and surely worth having but that occasionally gets caught up in unwarranted tourist bashing and anti-tourist rhetoric. This contribution argues that it makes no sense to make tourists the target of political conflicts and that all attention should instead be directed at the politics that have not only tolerated but rather have actively encouraged the steamrolling of many of the city’s neighborhoods by tourism and other forms of place consumption.

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**1** | Source: Novy, J. (2013) “Berlin does not love you” – Die Tourismuskontroverse in einer von Besuchern “eroberten Stadt”. In Holm, A. (ed.) *Reclaim Berlin. Soziale Kämpfe in der neoliberalen Stadt*. Assoziation A, Berlin/Hamburg, forthcoming.

## BERLIN TOURISM — A FIRST APPROXIMATION

According to the raw numbers, the development of tourism in Berlin since German reunification reads like a singular success story. Whereas the euphoric predictions from the period immediately after the reunification that Berlin would, within a few years, develop into a prosperous service sector metropolis or even a “global city” turned out not to be true (Krätke 2004), the development of tourism exceeded even the wildest expectations (Krajewski 2006). While there were 7 million overnight stays in 1993, in 2012 there were already almost 25 million. The number of actual overnight stays is believed to be at least double the number officially registered by the city’s accommodation industry and if one adds the circa 132 million annual day trippers that, as of 2011, were estimated to visit the city, we arrive at an annual total of approximately 182 million days of stay, or – reduced to the amount of daily visitors – about 500,000 tourists who stay in Berlin on any average day (SenWTF 2013).

In comparison to other European metropolises, Berlin as a tourist destination is at third place behind London and Paris, even though in comparison with other European metropolises as an economic location it only occupies the midrange. Due to the weak industrial base of Berlin, tourism is of great economic importance: according to information from the Berlin Senate, in the year 2011 the tourism business yielded an employment effect of over 275,000 people – including the non-working members of households that are also provided for (SenWTF 2011: 10). Furthermore, with a gross turnover of more than 10 billion Euros, it contributes considerably to the total income and the tax revenues of the state of Berlin, and is in addition to this widely viewed as a crucial image factor that has helped the city to shake of its various troubled histories and redefine its identity (c.f. Häußermann and Colomb 2003).

The changing hotel landscape of the city illustrates the rapid development of tourism in Berlin. Between 2001 and March 2013, the number of accommodation establishments in Berlin grew from 543 to 786. In the same period of time, the number of beds rose from 62,024 to 131,220 (SenWTF 2013) and branch experts expect that the accommodations market in Berlin will continue to grow for years to come. In the period until 2015 alone, around 15,000 further beds are expected to become available (Falkner 2012; cf. also Deloitte 2011). Furthermore, the “gray market” accommodations have also grown considerably in the recent past. According to a study by the tenants association *Berliner Mietergemeinschaft*, in 2011 in Berlin there were already around 12,000 vacation apartments in Berlin with 50,000 beds – and the number is rising (Berner und Wickert 2012). The boom in traffic for business trips as well as conference, congress, and convention tourism in particular in the meantime have become important pillars of the tourism business, but it is private travel in particular that allows Berlin to play in the big leagues of the most popular urban destina-

tions. Without a number of "hard" location factors, such as the city's excellent transportation links (including especially its addition to the route networks of EasyJet, Ryanair and other low-cost airline services) or its still favorable price-performance ratio, Berlin's dynamic development within the last twenty years would have been unimaginable. Nonetheless, several researchers emphasize that Berlin as a travel destination can also score points within the tough inter-urban competition for tourists and the accompanying revenue as a result of "soft" factors (Colomb 2011; Vivant 2007). The city is perceived as attractive to visitors due to its turbulent history, its uniqueness as a formerly divided city as well as its status as a "capital city" and in addition to this seems to benefit particularly from its image as the epitome of a "young" and "creative" metropolis that captivates visitors because of its contrasts and contradictions, as well as its dynamism and diversity (Novy and Huning 2009).

At the latest, ever since the American *Time Magazine* referred to Berlin in 2009 as "Europe's Capital of Cool" (Gumbel 2009), the word is out worldwide that Berlin is "hip" and "exciting," so it's not surprising that the city is particularly beloved by young visitors. The average age of Berlin visitors both foreign and domestic is, according to survey of guests from 2008, 37 years, and hence considerably below the number for Germany as a whole (45 years), and about 40 percent of visitors are younger than 30 years (BTM 2010b).

It is not least due to Berlin's attractiveness as a supposed trend and nightlife destination that tourism in the city has also been noticeably felt beyond of the core tourist areas of the city's two city centers – the Mitte district and the City West – as well as the classical excursion destinations or heritage sites elsewhere (Krajewski 2006; Novy and Huning 2009; Huning and Novy 2008). This can be observed for example in the gentrification strongholds such as Prenzlauer Berg, Friedrichshain, and Kreuzberg, but also in numerous other parts of the city, including Neukölln which until recently was portrayed in popular discourse rather as a place to be avoided than as an environment for tourist consumption.

None of this is entirely new, of course. One thing that is new, however, is the extent and breadth to which areas beyond the inner city are today integrated into Berlin's tourism and leisure trade. Tourism and leisure development has in other words become more evident and more pervasive. And it has emerged in many places as a powerful force, bringing about significant changes with respect to the urban fabric of the areas in which it occurs. As the Berlin press reports: "Tourists are discovering and increasingly changing Berlin's neighborhoods," wrote *Die Welt* already in the summer of 2010 (Bock 2010) under the headline "Tourists Conquer Berlin Off the Beaten Track," and a short time later *Der Tagesspiegel* referred to Berlin as a "conquered city" (Bartels 2010).

Primarily in the old eastern districts of Friedrichshain and Prenzlauer Berg as well as in Kreuzberg considerable overnight accommodation capaci-

ties were – and are being – created, whereby the number of budget hotels and hostels in particular has increased considerably (SenWTF 2011: 6). At the same time, the glut of hostels and hotels observable in many parts of the city is merely one aspect of a more comprehensive transformation of urban spaces associated with tourism, which often leaves behind deep traces in the everyday lives of the people living there: local businesses tailor their offerings to the growing visitor market or are pushed aside by shops and restaurants catering to visitors; once calm residential streets are transformed into shopping and party miles and community assets and resources are objectified, and commodified for external consumption. This multi-faceted transformation of urban places, occasionally described as “touristification” (Evans 2002; Gotham 2005), has – together with nuisance issues (noise pollution etc.) and the so far insufficiently examined role of growing tourist demand as a contributing and accelerating factor of gentrification processes – contributed decisively to the fact that the development of tourism has become an increasingly contested topic and tourists have become an increasingly popular bogeyman in the course of conflicts concerning urban restructuring processes.

## **FRIEDRICHSHAIN-KREUZBERG — THE WORLD AS A GUEST OF TOURIST-HATERS?**

Friedrichshain-Kreuzberg plays a special role in this context. In the press the district is regarded, at the latest since the district’s branch of the Green party caused a stir by hosting an event in February 2011 with the title “Help, the Tourists are Coming,” as the center of the “tourist-haters” (cf. Haas et al. 2011). And in fact, in no other district of Berlin is tourism so controversially discussed as here. As in most other parts of the city, tourism was a marginal topic in district politics for a long time. While particularly Kreuzberg as West Berlin’s former radical and multicultural center has attracted visitors for decades and can hence look back at a long history of being a tourist destination, at the district level the weal and woe of tourism had been dealt with sporadically at best (Novy and Huning 2009; Novy 2010). Only after the turn of the millennium, after Kreuzberg was merged with the neighboring Friedrichshain into the new district of Friedrichshain-Kreuzberg, did the topic of tourism obtain a new importance in district politics. Initially, aspirations to promote local tourism were the focus of attention. Among other things, the district’s own marketing bureau was expanded by an economic development project co-financed by the European Union and a roundtable was called into existence in order to better connect actors relevant to tourism in the district. The success or failure of these measures, which illustrate the permeation of district politics by the principles and premises of entrepreneurial urban policy (cf. Hall and Hubbard

1998; Harvey 1989; Mayer 1990), is difficult to evaluate. In any case, in the following years the district was confronted with a veritable tourism boom that soon assumed such dimensions that it was no longer the – supposed – benefits of tourism that were dominating the district's political debates, but rather tourism's negative side effects.

A whole series of different conflicts soon loomed: the Admiralbrücke in SO36<sup>2</sup> became the arena of a bitter struggle concerning the party-tourism occurring there; in many quarters characterized by Wilhelminian-period architecture, complaints multiplied concerning the legal or illegal conversion of rental apartments into bed and breakfast accommodations and vacation apartments; and the seemingly endless proliferation of hotels and hostels, originally well-received by district politicians, also became increasingly subject to criticism. The number of commercial accommodation facilities had more than quadrupled since the early 1990s and with the number of overnight stays now surpassing that of several major German cities such as Stuttgart (SenWTF 2011: 6) many residents, community groups and district politicians argued that a point had been reached where the development of additional hotels and hostels, especially in residential areas, should be blocked.

Furthermore, voices became louder concerning the negative influences of tourism upon neighborhood's existing urban fabrics and *Kiez* structures, for example in the area around Schlesische Straße, a *Kiez* which for quite some time has been in high demand among visitors and which in the eyes of many residents, for example the blogger Sebastian Kraus, has been considerably negatively affected by tourism. Kraus (2010), in his "blog novel," extensively addresses the "increasing imposition upon everyday life and living environment of people living here by tourism, its presence and infrastructure" as well as the advancing "transformation of streets and squares in photo and postcard motifs, pictures, and backdrops." Kraus describes how, through the "loss of urban and social free spaces and niches" as well as the "disappearance of authentic places," exactly that mythos is undermined that forms the basis of Berlin's current attractiveness as a tourist destination. And he discusses the larger issue of gentrification that serves simultaneously as cause, context, and consequence of the neighborhood's rise to prominence as a visitor destination.

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**2** | Translator's note: SO36, which refers to the former postal code of the area, is the colloquial term for the eastern part of the Kreuzberg district, traditionally characterized by the presence of political leftists and residents of Turkish descent. It is also the name of a longstanding concert venue.

## **DON'T BLAME IT ALL ON TOURISM! WHO IS "VISITING" AND "CHANGING" BERLIN'S KIEZE**

Concerns like the ones Kraus discusses have become more and more widespread in recent years and have, unfortunately, also led to some annoying excesses. Indeed some more militant groups engaged in the city's political struggles have even gone so far to argue that, since tourists were complicit in gentrification, attacking them would be a viable and legitimate way to fight it. An article in the left-wing scene magazine *Interim* suggested for example that by "steal(ing) their mobile phones and wallets [...], burn(ing) their cars, smash(ing) their hotel windows, drop(ing) rubbish, (and) throw(ing) stuff at tourist buses," tourists could be scared away and prospective developers discouraged to invest (cited in Hasselmann 2010).

Contrary to portrayals in mainstream media, such outright malicious "reasoning" – if it can be called as such – is by no means typical for the wider protests spreading across Berlin's neighborhoods. At the same time, however, there can be no denial that it has become increasingly popular to look at tourists as some eleventh biblical plague (Meinholt 2010) and make them single-handedly responsible for the unwanted changes the city's more centrally located neighborhoods are currently experiencing. From the perspective of those who live or work in the immediate vicinity of tourist poles of attraction, the recent vituperation against tourists might be understandable. For example, whoever lives on Kreuzberg's Falckensteinstraße – which residents rechristened "Ballermanstraße"<sup>3</sup> by placing stickers over the street signs – has good reasons to be annoyed by the legions of party-crazed visitors that flock there. Overall, however, tourist-bashing isn't really helpful. It distracts from the fact that many problems that have come to be associated with tourism are not primarily, let alone exclusively the fault of tourists, and furthermore rests upon undifferentiated – and often also rather elitist – clichés about who tourists are and how they behave. To put it more bluntly: there is no such thing as "the tourist." To portray tourists as a homogeneous whole has always been misleading as different kinds of people have always engaged in different activities and practices when traveling (Cohen 2004: 66) but is even more inadequate today in light of the changing and increasingly complex realities that have come to characterize contemporary tourism.

These realities are maybe best described as a continuously ongoing differentiation or segmentation of tourism, due the constant development of new niches and trends which has led various authors to postulate the emergence of

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**3** | Translator's note: Ballermann is a bar on the Spanish island of Majorca notorious for being a hangout for obnoxious German tourists. The term is also applied to the neighborhood in which the bar resides.

a "new tourism" (cf. Poon 1989; Voase 2007), and de-differentiation because of wider changes in leisure, consumption, and mobility patterns in advanced capitalist societies that make it increasingly difficult to distinguish between tourism and other forms of migration and mobility, as well as other forms of leisure and (place) consumption (cf. Urry 2001; Hall et al. 2006; Novy 2011).

Contemporary tourism is, in other words, not just more diverse than ever, but also characterized by an increasing "routinization" (*Veralltäglicung*) (cf. Wöhler 2011). On the one hand, this is due to the fact that travel for certain social groups is increasingly a part of everyday life and on the other hand, because the lines between tourist and non-tourist activity have become increasingly blurred. Several studies have for instance shown that certain, usually privileged urban milieus increasingly behave as "as if tourists" (cf. Lloyd and Clark 2001), meaning they use urban spaces and resources in a manner similar to tourists (Maitland and Newman 2004: 341; cf. Novy 2010). Furthermore, the lines between tourism and other forms of (temporary) migration are also becoming increasingly blurred. The growing number of highly mobile academics, artists, and "creative" workers and entrepreneurs that can be encountered in Berlin is a case in point. Sometimes referred to as YUKIS (Young Urban Creative Internationals; Knight 2011), these temporary "city users" cannot be unambiguously classified as either tourists or residents and due to their growing presence in today's cities indeed call essentialist distinctions between "locals" and "others"/"outsiders" increasingly into question (cf. Martinotti 1999; Costa and Martinotti 2003).

In this context, and against the background of constantly increasing mobility and international linkages, Maitland and Newman (2009) speak of a growing and increasingly mobile "cosmopolitan consuming class" – which in some large cities, including especially "world tourism cities" like London or New York has reached a critical mass – or rather of changed behaviors in the mobility, work, and consumption of urban milieus, whose effects upon cities and their subspaces have up to now not received sufficient attention in urban policy or urban research. Alluding to the concept of "new tourism" already mentioned, Maitland and Newman also speak of the constitution of "new tourism areas" in which traditional tourism, combined with other forms of "place consumption" (Selby 2004) emerges in a way that impacts and changes urban space (Maitland and Newman 2004, 2009). A new internationality emerges, there is an increased concentration of cafes, bars, and other offers for target groups that enjoy going out or are hungry for experiences, processes of transformation and valorization are favored. There is strong indication that such dynamics, which Maitland and Newman first observe in various quarters of North and East London, are also present in Berlin. Here too, processes of urban and neighborhood change seem to be influenced – and sometimes even shaped – by the practices and preferences of different leisure and consumption-prone groups of city us-

ers – groups that include residents, tourists but also many others that do not fit neatly into either one of the two categories. However, this is not the only reason why scapegoating tourists is unwarranted and ultimately also counterproductive. Arguably, even more importantly, doing so also distracts attention away from the political factors that have conditioned the ways in which tourism has developed and Berlin's socio-spatial configuration has changed.

## CITY TOURISM AND LOCAL MUNICIPAL POLITICS

Without a doubt, tourism plays an important role in Berlin politics, and not just since governing mayor Klaus Wowereit openly declared in an interview in 2004 that he wished to make tourism a “top priority” (Sontheimer 2004a). Already before the fall of the Berlin Wall, politicians gave above-average attention to tourism, not least because tourism was regarded as an important instrument in the propagandistic competition of both halves of the city (and both political systems). After the *Wende*, tourism moved increasingly to the center of attention as an important pillar of the city's economy. The visual power of the fall of the wall and the reunification brought record revenues for Berlin tourism and led, along with the natural ebb in visitor traffic that followed the immediate post-reunification period, to increased political engagement concerning its economic importance, the organization and orientation of Berlin tourism policy, as well as the development and implementation of appropriate marketing activities (Nerger 1998; Colomb 2011). In 1992/93, it was decided to involve the private sector more strongly in the marketing of Berlin as a location. First, the (West-)Berlin tourism office (*Berliner Fremdenverkehrsamt*) was replaced by the *Berlin Tourismus Marketing GmbH* (BTM for short), a public-private partnership, later renamed to *Visit Berlin* that is partially financed by the city of Berlin and the tourism industry. In 1994, there followed the founding of *Partner für Berlin – Gesellschaft für Hauptstadt-Marketing mbH* (PfB; today known as *Berlin Partner*), a second public-private partnership devoted to marketing Berlin. Against the background of far-reaching economic and political restructuring marked by a profound re-orientation of urban governance and policies emphasizing growth and competitiveness, two important actors thus emerged that would significantly influence the orientation of political and administrative action with regard to tourism.

During the Red-Red (SPD-PDS/DIE LINKE) state government, which took power after the collapse of the CDU-led grand coalition in 2001, tourism, if anything, gained in significance in the city's political arena. By then, policy-makers had come to grips with the reality that previous dreams that Berlin would regain its status as a major economic center were nothing more than that: dreams. They were also confronted, not least due to the Berlin banking scandal that had come to light in 2001, with an increasingly dramatic economic



and financial situation. Whereas Berlin was economically at rock bottom, the tourism sector exhibited a downright boisterous development and therefore came – along with a few other areas of the so-called tertiary sector – to play an even more important role in the city's increasingly market-, consumption- and property-led approach to urban and economic development.

A "roundtable for tourism" situated in the Senate chancellery was called into being, a tourism concept to increase the number of visitors was created, and despite the acute budgetary crisis of the state, a considerable intensification of Berlin tourism marketing, including the allocation of additional public subsidies, was resolved. The tourist branch of the economy in Berlin was pleasantly surprised. The state government led by Wowereit was supposedly doing "much more for tourism than all of its predecessors" proclaimed the then-head of BTM, Hanns Peter Nerger, in 2004, and that despite the fact that the industry was skeptical toward the Red-Red Senate at the beginning (Sontheimer 2004b). Meanwhile, the Senate saw itself as vindicated by the sustained growth of the tourism sector and during its second term in office continued place a special emphasis upon boosting the sector's development. Since the originally formulated goal of raising overnight stays to 15 million by 2010 had already been reached during the 2006 soccer world cup, the new goal became to crack the 20 million mark by 2010.

Furthermore, noticeable changes occurred with regard to the contents and spatial orientation of many measures related to tourism. Berlins *Kieze* had played a rather subordinate role in previous years within BTM as well as in debates concerning the development of tourism in the city. In particular, BTM focused upon advertising the city center and other mainstream or big-ticket attractions located elsewhere, despite the fact that travel guides and other tourist media at the time had long recognized the tourism potential of many *Kieze*. This began to change over the course of the 2000s when Berlin's policy-makers as well as the city's marketers *Partner für Berlin and BTM/Visit Berlin* began to implement various policy measures to promote Berlin as a "creative city." Now, motifs beyond the usual tourist destinations increasingly shifted to the center of attention: places with which the image of the city as a creative and "scene" metropolis could be emphasized, such as the temporary "urban beaches" on the banks of the river Spree (Colomb 2011), but also images of trendy street cafes, apartment building courtyards and other, supposedly *kiez*-typical motifs (cf. Colomb 2011; Kalandides and Colomb 2010). Largely absent during this period was a concern for tourism's negative effects. Rather, the city's approach to tourism policy – understood as what governments choose to do or choose not to do in relation to tourism (Hall and Jenkins 2004) – was almost exclusively concerned with marketing initiatives, the reorganization of Berlin's urban environment according to the needs of affluent consumers and the visitor economy as well as other activities aimed at promoting further tourism growth.

More recently and in response to the growing criticism of and resistance against the course of the city's development, there have been some slight policy changes. Most notably, legislation was introduced to curb the conversion apartments to tourist rentals. The thrust of the city's tourism policy – as exemplified by the recently published "Tourism Concept 2011+" – has remained virtually unchanged, however. Growth continues to be prioritized – the magic number the city wants to crack next now is 30 million annual overnight stays – and in the rare instances that tourism's negative externalities are mentioned this seems more to be due to a concern about the future prospects of Berlin as a destination than a concern over the integrity of the city and its neighborhoods as lived-in environments.

## CONCLUSION

Tourism has become a defining feature of the profound transformation of Berlin since the fall of the wall and the reunification of both halves of the city. It makes its mark upon the city in terms of its image, its ambiance, and not least its self-conception, and is regarded as one of the decisive economic glimmers of hope in the next few decades. As a source of (tax) revenue, a job engine, and an image factor that puts Berlin in a positive light, tourism is courted, celebrated, and promoted. Some commentators even see the future of Berlin as a sort of "Las Vegas on the Spree," a city built around and sustained by leisure and consumption (cf. Büscher 2006). One particular characteristic of the tourism boom in Berlin is the observable spatial expansion and dispersion of tourism. This development is inseparably connected with a profound transformation of tourist interests and practices, but is also not least the result of political and political-economic conditions of the last few decades. As with other cities, the premises and principles of entrepreneurial-neoliberal urban policy have become essential characteristics of political activity. They are articulated among other things in urban development and economic policies that overwhelmingly conceive city spaces as "arenas for both market-oriented economic growth and elite consumption practices" (Brenner and Theodore 2002) and in which tourism is of particular importance. This orientation of Berlin politics has played a considerable role in the continuing tourist "conquest" of Berlin, the negative consequences of which, particularly in inner city neighborhoods, are now being problematized by residents and neighborhood initiatives. It is because of their activism and protests that the development of tourism as well as the so far almost exclusively growth-oriented tourism policy of Berlin's state government have become controversial topics of discussion, and the costs and benefits of tourism, their distribution, as well as questions of tolerability are now being publicly discussed. Given the extent of tourism-induced transformation in the city it was about time.

At the same time, it is also important to emphasize that many tendencies now being debated using buzzwords like "touristification" can by no means be attributed exclusively to tourism. The kind of disrespectful and obnoxious behavior that is often associated with tourists is in reality not an exclusive failing of out-of-towners (Alas 2011), and many of the broader quarrels and conflicts that currently rage in Berlin's inner city neighborhoods do not take place between tourists and residents, but along other lines of difference, including especially social status and economic resources. Since this development is due in no small part to the policies of the last few years, and clear delimitations between residents and tourists have become increasingly more difficult to make, it makes no sense to make tourists the target of political conflicts in the city. Doing so implies to mistake the effect for the cause and divert attention away from what should be the primary focus of political pressure and that is the way the city approaches tourism as well as the more orientation of urban and economic development policy in present-day Berlin.

*Translated by Alexander Locascio*

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# The Sound of Berlin

## Subculture and Global Music Industry<sup>1</sup>

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*Ingo Bader and Albert Scharenberg*

Berlin booms – but only with respect to culture and more specifically music. While the vision of being one of the leading cities in the global economic network has failed dramatically after reunification (Scharenberg 2000; Krätke 2004), it is, ironically, precisely deindustrialization that has turned Berlin into a node of creativity and cultural production. The musical styles most closely associated with the Berlin music scene – i.e. New Wave, Techno, Electro, as well as, in the national context, HipHop – originated in the urban ruins of deindustrialized Detroit and Manchester or the dilapidated Bronx. In Berlin, the free space that urban movements fought for in the 1980s and 1990s facilitated the development of a lively subculture.

To explain the city's rise to an “alpha World Media City” status (Krätke 2002), it is insufficient to simply look at the city's overall economic performance. In fact, Berlin's marginal position in the highly decentralized German city network has not changed much since reunification. Therefore, institutional approaches to cultural economy are not able to sufficiently explain Berlin's rise to a central node of the global music economy. We argue that the main reason global players and major music industry associations have moved their headquarters to Berlin is the city's dynamic club and music subculture.

Our case study is empirically based on qualitative fieldwork about the music economy, in particular participant observation and 20 guideline-based interviews with representatives of music-sector companies and associations, as well as with administration employees between 2001 and 2005. Interviews were carried out with representatives from both the formalized firm-based section of the music industry (major and independent companies), and from the more informal club scene. In addition, we consulted Berlin's culture press, local news-

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**1** | Source: Bader, I. and Scharenberg, A. (2009) The Sound of Berlin. Subculture and Global Music Industry. *International Journal of Urban and Regional Research* 34.1, 76-91.

papers and administrative publications, as well as empirical data obtained from statistical agencies and business registers.

In the following, we discuss firstly the flexible integration of small businesses into the networks of global players. Secondly, we examine the relation between Berlin's economic decline and the city's specific urbanity. Thirdly, we analyze the development of the specific urban music scene and its styles. In doing so, we follow Amin and Thrift (2007: 158), who make the case that this approach "adds a whole new raft of possibilities and connections to contemporary cultural studies of the urban." We conclude that subculture is more than a force of attraction for the creative class, and that Berlin's attractiveness for young and creative people does not correlate with a general economic success, as Florida (2002) argues.

## **CREATIVE INDUSTRIES AND THE CITY**

Most observers agree that an urban context and atmosphere is essential when debating the potential locations for enterprises in the cultural economy. However, this is not only true concerning their economic activities, but also with respect to musical innovation and production. It is no accident that most music styles are closely connected to certain cities – New Orleans and Jazz, Detroit and Motown, Chicago and House, Manchester and Brit-Pop, and even Nashville and Country. Without the urban density and the specific local conditions, their development would not have been feasible. Even though many large cities develop a local music style, only a few of them receive an international response, and still fewer become important nodes of the global culture industry.

Following the collapse of the dot-com bubble in 2000/2001, the creative industries and the so-called creative city have increasingly become the new leit-motif for urban development. The debate was triggered by Florida's book "The Rise of the Creative Class" (2002). Florida stresses the importance of so-called "soft" location factors, in particular as a pull-factor for the creative class (i.e. the workforce of the knowledge-based and creative industries). The attractiveness for this class is supposed to be the decisive element for the city's economic success. While Florida's book has had strong repercussions in the arena of city politics – in particular in the areas of economic policy and city marketing, it has met with strong criticism, too (Scott 2006; Peck 2005). For instance, Scott (2006) argues that Florida does not have any theoretically grounded and empirically based understanding of the urban cultural economy and its embeddedness in post-Fordist urbanity. In understanding urban culture primarily as a "soft" location factor, Florida's approach, according to Scott, falls back behind the institutional theories which focus on the dynamics of cultural production.

The global city debate shows that services produced for the global market need urban centers, i.e. global cities. The same is true for the cultural industry; it is also organized in a global network of (a few) cities with a great deal of cultural production (and productivity). These cities have come to be known as media or culture cities (Krätke 2002). Here, the controlling mechanisms of the global cultural economy, which are part of the heavily centralized distribution network, are concentrated. Krätke's analysis of the institutional embeddedness and global networking of this industry offers conceptual starting points for the explanation of Berlin's rise to an alpha World Media City, defined by Krätke (2003: 616) as following:

"An alpha world media city had to have more than 17 of the 33 global media firms (i.e. over 50 percent of the global players analyzed here) in its location area (first threshold value) and more than 60 business units from among the global media firms included had to be present (second threshold value)."

According to Krätke, the globalization of cultural production enhances the importance of control functions and thus of global media corporations (Ryan 1992). At the same time, the industry's tendency to re-agglomeration fosters the formation of inner-urban clusters. However, even Krätke does not really come to terms with the enterprises' choice of location since he focuses on control functions and agglomeration economies. We thus want to supplement Krätke's theory by focusing on the creative input of the production process of cultural goods and on the organizational changes in the cultural economy. Our example will be music in the context of the cultural industry's economic restructuring: How significant is urbanity – and, more precisely, Berlin's specific urbanity and (sub)culture – for this production process?

At this point, Santagata (2002) defines "creative districts" as regions of flexible production which generate the specific cultural and institutional forms of networks of small enterprises. This concept draws on the concept of "industrial districts" (Sabel 1992). Due to the fact that within the production process, cultural and technological knowledge has become more important, this approach – though already developed in the early 1980s – regained influence in the scientific debate during the 1990s. The connection between the knowledge generation process and a specific social environment as well as institutional setting explains both the rise of agglomerations of the creative economy in general, and the latter's spatial selectivity vis-à-vis local institutional settings and a locally specific urbanity.

These approaches also offer valuable insights, which help explaining Berlin's rise to an alpha World Media city. Creative economies are based on networks of flexible specialization and a vertically disintegrated production process (Scott 2000). Technologies and work processes that are used for the

production of cultural goods often contain a high degree of tacit knowledge and, increasingly, specialized computer technology. In general, the production is dominated by networks of small and medium-sized enterprises, which are dependent upon each other due to their specialized input and output, although large companies often participate in the same networks. Because works in the tradition of Piore and Sabel (1984) tend to overestimate the networks of small enterprises as the new organizational model of Post-Fordism, we rather want to follow Amin (2000) as well as Scott (2001: 11 ff.) in proposing different types of incorporation of small enterprises – so-called “independents” – into globally operating corporations of the music industry.

Networks of music production are organized in highly complex forms. Among other things, they need a highly specialized and trained workforce. The size of the agglomeration – or, more specifically, the labor market – minimizes the risk for employers as well as for employees (Scott 2000). Contrary to Florida's assumption of a new and fairly homogenous “creative class,” employment within the cultural industry is visibly divided (Peck 2005: 757 f.). The industry's work force, i.e. artists and their productive environment, make their living through creativity, which in turn is dependent on living conditions. The settlement (and financial promotion) of individuals engaged in the cultural sector is foremost determined by two factors. On the one hand, a large segment of the creative economy is based on precariousness – their industries are pioneers for unregulated working conditions. Because of their mostly low income, cheap rent prices are an important “location factor” for the creative scene in Berlin. Additionally, creativity is not only an individual quality (of an artist); it is deeply rooted in the interaction and mutual stimulation of a creative field (Scott 1999). Furthermore, agglomeration eases the formation of a network-specific institutional infrastructure. In sum, cultural production is based upon the development of complex and extensive – and hence largely urban – agglomerations in the form of cultural districts.

Beyond the demands on the local labor market, context and detailed processes within creative economies are only generally addressed within institutional theories. Those theories do not take into account the specifics of the cultural production of goods. It is precisely this aspect that needs to be explained; otherwise, the fact that other industries have not – despite the government move to Berlin in 1998 – experienced similar economic booms, cannot be understood. With its experimental music scene, Berlin has become the most important location and an international first class node for the global music industry. We want to show that the importance of the city's cultural economy is mainly based on local subcultures and their everyday environment. This is not only relevant because of its symbolic qualities as a “soft” location factor which may be used for city marketing purposes. At the same time, it is an important part of production networks and, therefore, an inte-

gral part of local economic policies. For this reason, we want to first outline the societal conditions which have turned subculture into an important field in the global music industry.

## THE IMPORTANCE OF SUBCULTURE

“Subcultural flair” is of great importance to major record companies. Connell and Gibson (2003: 113 ff.) link the new significance of local music and “niche markets” to the differentiation of lifestyles. The demand for mass products, i.e. mainstream music, decreases, while consumers increasingly ask for diversified products. One of the main reasons for this new demand is social distinction derived from these products, which can be used for self-stylization. Subcultural, local music is particularly suited for this kind of distinction, because it is linked to quality and creativity and differs from the mass market due to its local, but also subcultural and rebellious character (Hebdige 1979). Going back to Bourdieu’s (1984) term cultural capital, Thornton (1997) proposes the term subcultural capital that she defines as accumulated subcultural knowledge signaling status in the form of “hipness.” It is embodied in style, such as a particular haircut, or in a record collection similar to libraries in middle-class households. Hipness, i.e. subcultural capital, emerges through delineation from the mainstream and allows social ascendancy across the established classes. This delineation has an important function of social distinction, in particular with within youth culture. Since “youths, from many class backgrounds, enjoy a momentary reprieve from necessity” (Thornton 1997: 206), they also spend money for this purpose. This can economically explain that subculture, i.e. hipness, has been integrated into the products of the music market, and that “the single sales chart is mostly a pastiche of niche sounds which reflect the buying patterns of many taste cultures, rather than a monolithic mainstream” (ibid.: 205). Therefore, subcultures are more than a coexistence of lifestyles. Difference does no longer necessarily signify opposition or resistance to a hegemonic culture, as the Birmingham Center of Contemporary Cultural Studies (CCCS) put it, but also competition for (sub-)cultural capital. Independent labels founded during the 1970s and 1980s represented an attempt to create alternative economic structures beyond a music industry which is only interested in commercial success. Their purpose was to autonomously produce and distribute creative, experimental (and thus subcultural) music. In contrast, underground culture in East Berlin’s inner-city districts was from its beginnings around 1990 in part entrepreneurially oriented (Gdaniec, 2000); the contradiction between commercial and non-commercial was rarely as present as it used to be in the earlier Punk and Independent movement. The club culture’s “heroes came in the form of radical young entrepreneurs who had

started up clubs and record labels, rather than the poets and activists of yesterday" (Thornton 1997: 208).

The marketing of niches links products to local history and thereby appropriates the sound of the street (Scharenberg and Bader 2005) – not only with respect to cultural products, but also concerning the symbolic revaluation of gentrified neighborhoods (Allen 2007; for Berlin see Diederichsen 1999). Authenticity is the connection to the local, and it embodies the lifestyle of local subcultures. Because it is used to maximize profits through diversified styles and local sounds, authenticity is becoming an important element in the strategies of the global music industry. The major labels' marketing is no longer solely directed at the mainstream, but looking for differentiated lifestyles (and lifestyle images) – and it is even producing them itself. In sum, subcultures can no longer be understood primarily as a cultural attack against the mainstream and as standing outside the music industry (if they ever were). Rather, they become increasingly important as niche markets.

But a vivid subculture merely arises in cities that are booming and entirely gentrified. This matches Hall's (2000) finding that the development of creative milieus and the attraction of creative people is a matter of transitory phases, which are open to experiments, rather than something taking place in cities that are at the peak of economic prosperity:

"But these talented people needed something to react to. We noticed that these [creative cities] were all cities in transition: a transition forward, into new and unexplored modes of organization. So they were also societies in the throes of a transformation in social relationships, in values and in views about the world" (Hall, 2000: 646).

There is a fundamental contradiction to Florida's thesis involved here: While Florida takes it for granted that a creative milieu correlates with economic success, the situation in Berlin is quite different. Generally, such a milieu evolves particularly within those cities that have to deal with a collapse of their economic base. It is precisely the most deindustrialized cities and regions that "smell" their chance as "shrinking cities" and attempt to attract creative people (Scharenberg and Bader 2005). This milieu is more often than not connected to – or at least related to – a social movement protesting against the restructuring of cities. Just as Peck (2005) has questioned the correlation between the creative city index and growth, Jeppesen (2004) states in his comparative study of five European cities that it is rather those cities and regions without a strong creative milieu that have the highest growth rates (such as Galway in the North of the Irish Republic).

Now the creative class Florida talks about tends to prefer gentrified neighborhoods and thus a specific form of urbanity (Peck 2005). However, there are certain differences: Whereas global control functions and highly specialized

production-services tend to be concentrated in gentrified inner-city neighborhoods of booming metropolitan areas, our findings support Hall (2000), who argues that creative processes and cultural innovation – and particularly the creation of niche products – tend to be concentrated in declining cities. Therefore, a branding strategy using a city's subculture may enhance the city's symbolic value, but simultaneously undermines the everyday conditions necessary to sustain the creative process itself.

## THE MUSIC INDUSTRY DISCOVERS BERLIN

In Berlin, the music industry has become an important part of the urban economy. It is, within the concept of "creative cities" (Florida 2002), increasingly being seen as a key to the success of the regional economy. Despite the industry's crisis – from 2001-2003, the German music economy lost about 40 percent of its turnover – the German music industry (including retail) in 2005 produced a turnover of 24 billion Euros (32.17 billion US-Dollar) (Senatsverwaltung 2006). However, after Universal Music Germany, MTV Central Europe, and many other music labels and service providers moved to Berlin, the market share of the city's music industry has increased significantly. Starting with the global players' relocation to Berlin, a dynamic pull has developed which to a significant degree is based on agglomeration economies (Scott 2000). From 2000 to 2005, the turnover of Berlin's creative economy has risen by nearly 23 percent to 18.5 billion Euros (24.8 US-Dollar) and 23.5 percent of the city's overall turnover. The music industry's share of the creative industry's turnover is 5.5 percent (Senatsverwaltung 2007).

Although Berlin has been troubled by persistent economic problems that have been discussed intensively (see Scharenberg 2000; Krätke and Borst 2000; Krätke 2004; Krätke and Taylor 2004; Brake 2005), the city has been a winner of the music industry's economic crisis and has become an alpha World Media City on a global scale (Krätke 2002 and 2003). In times of its overall decline, in Berlin it has increased not as much as all of its creative industry, but significantly by 4 percent (Senatsverwaltung 2007). We follow Krätke's argument that the cultural economy is a central economic field, on which the city should concentrate in their economic policy, in contrast to the failed global city policy after re-unification:

"Berlin, in particular, could take the message spelled out by this analysis as a reason to make the cultural economy and the media industry core areas of its economic development policy and to further enhance the 'local' creative potential of the cultural economy as an important attractiveness factor for a world media city. [...] Th[e] reputation [as a cultural metropolis in the 1920s] can now be restored on the basis of current economic

developments and exploited for the development of the city. However, while Berlin is still not a global city, [...] it is a first-rank global media city in terms of being a center for cultural production and the media industry with a world-wide significance and impact" (Krätke 2003: 618).

The settlement of music companies and corporations, however, is still one of the few fields in which Berlin's economy could resist its overall decline. Between 1995 and 2005, the city's Gross Domestic Product has decreased by 8.5 percent (Wall Street Journal 2006). Next to tourism, low-skill services and the culture industries, only a few highly specialized creative and knowledge-based industries managed to flourish (Brake 2005), but they are not able to replace the employment and economic power of the former industries. Even though the strategic focus on certain creative and service industries—and in particular on culture and music economy – seem to be without alternative, it is not without problems. The core problem of the city's economy, i.e. the lacking industrial base, remains untouched by this strategy (Helms 2000). Before the city's reunification, West Berlin played a rather marginal role in the decentralized German city network and had huge structural deficiencies, because it experienced a first wave of deindustrialization already right after World War II. Therefore, specific "Berlin subsidies" were used to keep alive some assembly line production of mass products. After the fall of the wall, most branches of the East Berlin economy were no longer globally competitive. Contrary to the high-flying visions of the early 1990s, Berlin did not become a global city. Even compared to other metropolitan areas in Germany, Berlin's economy still commands very limited economic control capacities (Krätke 2001). In effect, "the great hope of a metropolitan service economy" did not materialize; the city is currently merely "the 'capital of cleaning squads and private security firms'" (Krätke 1999: 333). Moreover, the global city policy accelerated the city's financial decline (Krätke 2004).

However, one important "industry" moved to Berlin in the late 1990s: government. Though the overall economic impact on the various sectors of the city's economy differed, this move was very important for the music industry – being in Berlin now means being close to political decision-makers. This closeness is very important, because the control of copyright – and also the making and changing of laws – is central to the functioning of profit-generating music industry (Reinbacher 2004; Nuss 2006). For instance, influencing the political regulation of the marketing of music via lobbying was one of the main reasons for Universal Music national branch to come to Berlin. On the other hand, this does not sufficiently explain that the music industry has restructured around Berlin as a central node more so than any other industry deriving an advantage from this closeness.

In any case, local networks of creativity are important for musical innovation (Lovering 1998: 37) and also for subculture as an important part of these



networks. The global music industry is rooted in local communities (Scott 2001) and “is based on place-specific socio-cultural milieus” (Krätke 2004: 527), but its sales are mainly based on the back catalogues of the few superstars of international music. Berlin derives its increasingly important role mostly from the production of innovative niche products catering to an international market.

With respect to musical innovation, Berlin has been an important city for a long time. But there was hardly any significant creation of value within the city until the late 1990s. The term “music capital of Germany” only made sense – and hence became established – after Universal Music Group Germany and other large companies had moved to the city (Bader 2004). This image was strengthened after other important actors in the music industry – such as Germany’s largest music fair Popkomm, various medium-sized labels, and the most important national associations of the German music industry – moved to Berlin as well. Although Universal Music is the label with the highest sales rates, it likes to emphasize its closeness to Berlin’s local, subcultural music scene.

To a certain degree, Tim Renner, at that time CEO of Universal Music Group Germany, exemplified this strategy at the time of the company’s move (Renner 2004). Renner still likes to emphasize his love for punk music. In Germany, he was the first to sign independent bands via major record companies; Rammstein later became the most successful of these bands. For a while, Renner was regarded as the darling of the German music industry, because he was able to profitably integrate a music that used to be the soundtrack of rebellion into the major record companies. The eventual dismissal of Renner in January 2004 demonstrates that his strategy remains disputed within the music industry.

## **BERLIN AND SUBCULTURE: CITY, SPACE, AND STYLE**

Today, Berlin is one of the most important cities for electronic music worldwide. At the same time, it has kept its experimental, self-made and innovative character. This has made Berlin different from many other cities, where nightlife diversity exists only as simulated “air” controlled by large entertainment companies or breweries (see Hollands and Chatterton 2003). This “experiment and laboratory situation” has enhanced the attractiveness of the city as a site for the music economy. The best-known labels of Berlin’s electronic music scene – such as Tresor Records and Kitty-yo – are expressions of the local creative districts. Social scientists and government reports, for the most part, notice only those actors that have an economic output which is statistically measurable, i.e., next to labels, enterprises from other parts of the value creation chain such as sound studios, music publishers, producers of music

instruments, music clubs, concert agencies and fairs (Obert et al. 2001; Keßler and Reinhard 2004; Senatsverwaltung für Wirtschaft 2005). The anchorage of these actors in a local scene is usually not taken into account. However, economically marginal actors, such as temporary and semi-legal clubs and bars or record stores, are important places of communication for the local networks of creativity (Schyma 2002). They are meeting points and thus contribute to the development and diffusion of musical styles. Their temporary and non-commercial (or less commercial) character allows for experimentation as small, though still market-oriented labels. Here, people that may later start economically successful enterprises meet for the first time, get to know (and trust) each other and start an informal exchange of ideas, concepts, etc. Well-known local labels and clubs mirror the complex processes that have created the specific “Berlin-type” music after the fall of the Wall (Vogt 2002). To a certain degree, this music is rooted in West Berlin’s alternative culture of the 1970s and 1980s.

During the 1970s and 1980s, a lively and politically rebellious subculture evolved in Charlottenburg, Kreuzberg, Schöneberg and other inner-city districts of West Berlin. It was based on new social movements (squatters, community organizations), gay scene and student milieu, and culturally located between Punk, Industrial, and *Neue Deutsche Welle* (the German counterpart of New Wave and the first pop music in German language that dominated the national charts for some years; Teipel 2001). Small labels, sound studios, and party and club organizers founded networks aimed at counter-culture activities. The specific geography of the city of West Berlin – as an “island” within the GDR surrounded by the Berlin Wall – had turned the city, and in particular the south-eastern part of Kreuzberg, into urban periphery. Kreuzberg, a traditional working-class neighborhood with a lot of small trade and “backyard factories” (*Hinterhoffabriken*), became a central location for Turkish immigration, and is still the city’s poorest district. The controversy about redevelopment caused the squatting of empty houses, warehouses and other buildings as clubs, bars, and living space. One example is the famous club SO 36 that has been the center of the scene from which “Einstürzende Neubauten” evolved as the arguably best-known act of the 1980s Berlin underground. Next to the City West (the area between Bahnhof Zoo and Savignyplatz) – where, among others, Mute Records, BMG Berlin and clubs like the Dschungel (Jungle, Berlin’s heart of the *Neue Deutsche Welle*) were located – this area (including Universal Music and MTV) became the basis for the second important cluster of Berlin’s music industry (Bader 2004).

The Hansa Studios provided the connection to the international music scene, where stars like Nick Cave, Iggy Pop and David Bowie worked and produced during the 1970s and 1980s. They also lived in West Berlin for a time and were as deeply influenced by the local music scene as they in turn influenced the city. The Hansa Studios not only provided artists with physical infrastruc-

ture, but was simultaneously “a location, with a political and cultural style, that somehow combined pre-war hedonism with post-war political tension” (Conell and Gibson 2003: 105).

However, Berlin may have been internationally known for its music scene and musical expression. But as a location for the national and international music industry, it did not play any significant role. In this respect, Cologne, Hamburg, and Munich were the leading cities in the Federal Republic (Scharenberg and Bader 2005).

The fall of the Berlin Wall in November 1989 changed everything for Berlin – and also for its music and “spirit.” The center of subcultural activities moved to the eastern part of the inner city. Areas used for subcultural music proved to be pioneers for the settlement of music companies. Some of them simply moved to these locations, but many evolved directly from subculture (e.g., Tresor Records and the Tresor club) (Hegemann 2005).

For the city’s contemporary club culture, this radical change proved to be the spark. It was only then that Techno became a mass phenomenon in the city, though its roots can be found in the hedonistic gay scene in the city district Schöneberg (Westbam 1997), and in the electronic avant-garde that thrived in West Berlin during the 1980s (with bands like “Einstürzende Neubauten”). Right after the fall of the Wall, the new freedom met with a specific urbanistic situation in East Berlin, characterized by massive vacancy of commercial and residential buildings as well as the city’s deindustrialization. How the urban youth of the 1990s saw itself is reflected in the new centrality of the audience: People were no longer just passive consumers, but – as dancers – constitutive elements of raves. The slogan of the first Love Parade in 1988 – “Friede, Freude, Eierkuchen” (a German saying, meaning “everything is fine,” literal meaning: peace, fun, pancake) – shows a renunciation of the depressed, but also highly politicized spirit of the Berlin underground of the 1980s:

“Raves take place largely in postindustrial landscapes, transforming rundown warehouse sites into timeless, de-localised, and de-realised spaces, where obsolete industrial infrastructure is juxtaposed to state of the art technology to create a surreal, almost virtual world – a fun factory” (Richard and Kruger 1998: 163).

The local music scene, and in particular electronic music, reflects the quick local transformation right after the fall of the Wall. At the same time it can only be conceptualized in the context of the global development of electronic dance music, as it is marked by the Techno music of the Black inner-city of Detroit (Henkel and Wolff 1996), and the Acid-House of the mostly illegal warehouse parties in English deindustrialized cities (Ingham et al. 1999). Techno music from Detroit, in turn, became famous primarily through the Berlin Techno scene. This demonstrates how processes of postmodern urbanism spatially and

historically framed Berlin's local electronic music scene. Similar to HipHop (Scharenberg 2004), Techno evolved in the context of the deindustrialization of cities, and in Berlin it found its most significant expression.

The use of vacant buildings was possible, because in East Berlin ownership status of land and property was often unclear during the early years following reunification. Therefore, the administration had no cause to interfere with the temporary use of these locations. Even after the reassignment of ownership according to the "unification treaty" between FRG and GDR from 1990, it often took years until the administration decided about legal claims. Since many clubs and other subcultural users appropriated the spaces of their activities for only a few months, those persons who otherwise may have had the responsibility to legally interfere did not have a survey of the East Berlin underground scene.

In addition, many of today's clubs and other sectors of the urban music economy have their roots in these squats. After the fall of the Wall, most of the important actors of Berlin's club music have gone through an "illegal phase" – such as the Tresor (the club of the founders of Tresor Records) and the Love Parade as an internationally known event that attracted one million people at its peak in the late 1990s (and is commonly described as one major example of festivalization of local urban policy). However, temporary appropriation, i.e. the creation of "temporary autonomous zones" (Bey 1991) free from state and institutional control, was not limited to cultural use; living space was squatted, too. In addition to about 140 squatted buildings, many vacated apartments were squatted without much controversy. This was one of the reasons for the migration of young and creative people to the city's eastside. Next to Berlin's image as a stronghold of youth and subculture, the low costs of living were a major factor for this migration – low or no rents, cheap food, and a subculture that, at least right after 1989, was not particularly commercial. Furthermore, the city's subculture and nightlife have long differed from other (German) cities because Berlin lacks a closing time and has less little regulatory interference (Bader 2004).

Because of the temporary character of club culture and the exclusive (and excluding) advertisement via flyers (Riemel 2005), the spatial manifestation of Berlin's club culture is hard to assess in terms of quantity. The media's perception, but also the academic understanding, is dominated by those locations that started as illegal clubs and later became commercially successful. Small, temporary locations or clubs playing music that differs from what is globally marketed as Techno via the Love Parade often go unnoticed. In the early 1990s, this club scene used to be mainly located in Prenzlauer Berg and in Berlin-Mitte (around Hackescher Markt). These districts have since been thoroughly gentrified (Bernt, 2003), and the scene has moved to other districts and areas – first to Friedrichshain, and more recently "back to its roots" to the area around

Schlesische Straße in Kreuzberg (Bader 2008). This scene has produced various styles of electronic music, as they are presented at the independent music fair “Marke B” (Brand B; see Gut and Fehlmann 2005). Together with German “ghetto-style” HipHop and world music<sup>2</sup>, they have in recent years replaced Berlin’s image as “Tekkno City.”

The experimental and innovative character of these underground locations is made possible by the temporary character of these illegal clubs and bars, which are permanently threatened by closure, and by entry restriction via codes and “informal” advertisement that can only be read and understood by the corresponding target group. Ambience and style can only be maintained, if a certain size is not exceeded, and if the audience is in line with the club or bar and thus represents its particular “character” (Ballhausen 1999).

Underground is always at the same time subversive and elitist. Access limits and separation from the mainstream make possible the avant-garde character, but they also mean exclusion. This shows how the subculture of temporary clubs and bars with their partly illegal practices could in Berlin go hand in hand with the gentrification of city districts, as demonstrated especially in Berlin-Mitte and Prenzlauer Berg. The subculture of temporary clubs and bars was not only integrated into urban restructuring, but also into the innovative processes of the cultural economy. Its elitist character fits the self-stylization of the new urban middle classes. The locations’ character has thereby changed as well. Non-commercial, dingy, self-made basement clubs have become rare. Increasingly, they are being replaced by “chic” and thoroughly styled bars as well as by a simulated and “ready-made” subculture.

## NEW FORMS OF ECONOMIC COOPERATION

In order to use the potential of subculture and local creative districts, major labels commonly open a local branch. But spatial proximity is not only necessary at the level of cities; local production clusters are also formed at an intra-urban level. For instance, Low Spirit Recordings, a sub-label of Bertelsmann Music Group (BMG) that is one of the major sellers of techno music and the label behind the Love Parade, is located close to BMG. A similar proximity can be found in the cluster at the Oberbaumbrücke (the bridge connecting Kreuzberg and Friedrichshain) with Universal Music Germany, MTV Central Europe, and various smaller labels and other musical enterprises: reproduction and distribution enterprises, which take over those parts of Universal Music’s

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**2** | After the demise of the Love Parade, Berlin’s largest music event today is the “Carnival of Cultures of the World,” World Music as well as HipHop are both, though quite differently, linked to the migrant communities.

production process that have been outsourced (and which depend on an urban environment), choose a location close to this major record company. This is particularly the case for mastering studios, graphic designers and advertising agencies (Bader 2004).

This spatial proximity also allows for the acquirement of new contacts to other labels, since personal contact and trust are central to business within the network of creativity. Concerning production-oriented services, this is a general phenomenon. Sassen (1991) has argued that personal trust is one of the reasons that specialized services are still highly centralized – despite all “disembeddedness.” As it is largely tacit knowledge, musical knowledge is anchored locally, too, and it is integrated in networks based on reciprocity (Scott’s “creative field”). The innovative potential of networks of creativity is bound to a certain place and can thus primarily be used in close personal contact. For the success of a label, tacit knowledge about the scene is crucial. With respect to subculture, knowing musicians and being known within the scene is a precondition for signing musicians, precisely because for these actors, in contrast to major record companies, trust is a central category for cooperation.

Local agglomerations of flexible production – the networks of creativity – are integrated into the global music market via transnational corporations (see Amin 2000: 165). They use and maintain the advantages of cultural districts based on the networks of small enterprises. Major record companies mainly take over those segments of music production benefiting from concentration, i.e. reproduction, global distribution, and global brand name. This deal, however, is inherently unequal. First, while successful artists get their share from the profits generated by their products, other actors of the cultural milieu producing this creativity do not participate. Second, even though individual artists who are coming from an independent label or, more generally, the subculture, do gain from a contract with a major record company, the distribution of profit is heavily one-sided. The bigger part of profits goes to the networks that belong to transnational entertainment corporations. These corporations account for 80-90 percent of the global music market (Binas 2005). The integration of music scenes into the major labels is based not only on their advantages concerning global distribution, but also on their control of networks. Important instruments of marketing, such as radio and television stations or international chains for entertainment products, are not accessible for independents, since they are controlled by the transnational entertainment corporations.

The rigid, inflexible structure of major record companies has also many disadvantages. Musical innovation is always a high-risk venture, because the future of the music market is hard to predict and highly unstable. Labels that are closely connected to the subculture tend to publish high-risk products. Their commercial success is precarious or, at best, only profitable on a low scale. Moreover, independent labels may suit artists better and more continu-

ously, because more often than not they belong to the same musical scene as the artists themselves. Independents can only reach small markets, even if they cooperate with a major record company. Major labels, on the other hand, tend to react very slowly (and carefully) to new trends, because their organization and processes are highly complex. This is not only due to the level of bureaucracy and complex decision-making structures, but also to the fact that major record companies organize more extensive marketing campaigns that are directed to other large media. Of course, this is primarily a cost factor. More than 90 per cent of the products a major record company publishes do not make any profit (Ryan 1998).

In recent years, independent labels have become more attractive to artists, because today, an international commercial success is possible even for independents. This has been shown by, for instance, Tresor Records (with Detroit-Berlin star DJs such as Jeff Mills and Juan Atkins), or Kitty-yo (with Peaches) (Obert and Böhl 2003). Labels that have specialized in a particular music, and which are based in the respective musical scene, can more easily turn into a brand name than major record companies that cover everything from Country to Rap to Punk to Pop. Furthermore, due to the large number of musical styles and artists, labels have become quite important for individual purchase decisions. The major record companies have also realized the advantage of flexible production and now integrate many of the independents' advantages. Today, the latter have actually become part of the global music industry – not so much their “counter model.” The large corporations of the global music industry try to use the decentralized structures in various ways as innovation networks.

The “classical” approach assumes that local artists working with small labels will directly be taken over by major labels. A direct take-over, though, is not something that majors and independents are aspiring to. It generally seems to make sense only if the band (or artist) can be placed on a large market that can be reached only through the majors' marketing. Since a product's success in the music economy is hard to predict as well as a high-risk project, many artists taken over by major record companies fail, i.e. they do not economically survive the change to the major record company. The risk is not only on the side of the majors, in particular since the necessary funds for production and video shooting are usually given out as a credit. Therefore, the change to a major record company – even if sales rates go more or less unchanged – does not pay off for many artists.

In their cooperation with subcultural scenes, majors increasingly favor the integration of networks of small enterprises – the cultural districts – into the global network of the cultural economy. This is mainly done because of the advantages of the economics of scale. The cooperation with subcultural actors may be understood as a form of outsourcing. In addition, the independent labels do not see the music industry as an enemy any more (as many did in the

past). Generally, they do have artistic independence as well as (more) economic success. Small labels have their strengths in the networks of creativity; in other networks, the advantages of the economics of scale, which can be used better by large corporations, dominate. This mainly affects distribution. Furthermore, small enterprises of the music industry are financially insecure, because they usually depend on few artists and the success of a particular style of music. In contrast, “the smaller company provides its larger partner with preferential access to artists that it discovers through its own A&R department” (Leyshon 2001: 64), since they are part of music scenes and thus can apprehend and observe developments taking place in these particular scenes much better than major labels.

There are different organizational models for the inclusion of creative districts. In Berlin, for instance, the labels Mute (an important independent label well known for Depeche Mode or Einstürzende Neubauten), and Low Spirit (the label behind the Love Parade which has signed Techno artists who managed to get in the German Top 40) are directly integrated as sub-labels in major record companies. This is the most far-reaching form of inclusion: The formerly independent enterprise is directly built into the operational structure of a major record company, and it mainly serves as an established brand name and “development laboratory.”

Distribution contracts are another model which allows the independent label to maintain a high degree of autonomy. All large independent companies distribute their products either completely via major labels, or they do so for those products that cannot adequately be distributed by themselves due to sheer capacity (Gut and Fehlmann 2005).

The majors’ success is based first on their capacity to use local positive externalities and innovative energy; second on their power to place their products on national and international markets; and third on their ability to overcome various cultural barriers to market-access in all parts of the world. The process of distribution is the decisive interface between a local agglomeration and the global market. It is through this process that the transnational entertainment corporations secure their control over the commodification of music (Scott 2000).

## CONCLUSION

Berlin’s example questions the economic sustainability of the creative city concept. Our analysis has confirmed Hall’s (2000: 646 f.) thesis that cultural innovation is a phenomenon of cities in crisis. The basis for musical innovation as well as the development of the “global trademark Berlin” – now being commodified by the global music industry as well as by many small and medium-



sized enterprises – has its roots in the period of radical change during the early 1990s and to some extent in West Berlin's subculture of the 1970s and 1980s.

Free space is not given; it must be taken. It is no accident that alternative visions and creativity reached a high-point during the 1980s in West Berlin, and during the 1990s in the eastern part of the inner city. Here, subcultural movements organized themselves, fought for another way of living, took over free space. And they prevailed, though the results in the long run differ from the initial visions in many ways. The link to a specific urban situation, as well as to "underground" and "rebellion," is still an important factor for the global marketing of music from Berlin. We have demonstrated that there is a close interdependence between major corporations and a large, fluid scene still using this free space.

To Florida, economic success of cities correlates with the ability to attract members of the creative class. In this context, urban culture and subculture is not more than a mere soft locational factor. Creative city politics following Florida's concept contradict the fact that Berlin's creative districts are based in these subcultural scenes. In addition, it is precisely these scenes that attract members of the creative class – in the case of Berlin not so much the global elite of the creative industries, but independent creative entrepreneurs. Both Florida and Krätke do not take into account that cultural innovation processes are stimulated by an urban subculture which cannot only be understood in terms of economic activity. Our analysis of the nexus between the city's style, the subcultural scene, and the clusters of small enterprises demonstrates that Berlin has become a global node of the music economy precisely because of its scene and the attraction of subcultural entrepreneurs.

Moreover, gentrification generally limits the opportunities for creative pioneers. This is illustrated by the club scene's continuous migration through various city neighborhoods from Berlin-Mitte to Prenzlauer Berg to Friedrichshain and back to Kreuzberg. While large development projects such as Media Spree (with MTV and Universal Music) try to profit from the location's image, it seems highly unlikely that the much-acclaimed diversity can be obtained in the long run. Therefore, a politics favoring large-scale development projects undermines one of the few flourishing branches of the city's economy.

The relocation of MTV Middle Europe and Universal Music Germany increased the interest of the public in music as an important branch of the city's urban economy. However, Berlin's mostly small-scale music economy is, in contrast to the national branches of the major companies, genuinely global with respect to its markets and perception. The city's electronic music scene, the independent labels and the city's club culture are accountable for Berlin's reputation as a global music city. This creative environment is used as a brand, and it is also seen as an important economic activity. Furthermore, the independent labels which were originally founded as a counter-model to the global music in-

dustry in the 1970s and 1980s in fact revitalized their former rival. The flexible integration of independent labels into the major music companies – whether directly as sub-labels (by using their distribution channels) or still formally independent (as creative laboratories) – promoted the reorganization of the music economy that fostered Berlin's rise to a global music city status. In the face of the music industry's restructuring, the integration of small businesses related to the subculture in networks of flexible specialization represents a new organizational model of the industry. In sum, there is *not one* creative city, but there are rather various types: cultural production and branches of the creative industries in a broader understanding, i.e. design-intensive producer services, respond to different types of creative cities. But the global cultural economy itself is simultaneously bound to different urban settings. However, it is uncertain which organizational model of the music industry will succeed. The domination of large companies will not be challenged, but cities like Berlin will have the chance to position themselves in those niches within the new geography of the music economy that are of still growing importance. The fact that Berlin has achieved a first-ranking status within the global cultural economy precisely because of its strong subcultural basis underscores this thesis. The lessons to be drawn for politics are thus evident: It is better to stop promoting large-scale development projects and to rather act cautiously, in order to protect and nourish this cultural and economic treasure.

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# Spree Riverbanks for Everyone!

## What Remains of “Sink Mediaspree”?<sup>1</sup>

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*Jan Dohnke*

In recent years, the protests against the large-scale investment project “Mediaspree” in Kreuzberg-Friedrichshain have repoliticized the public debate on urban development more than any other event in Berlin. In the context of urban development that is increasingly dominated by neoliberal concepts in the wake of German reunification, the “Sink Mediaspree” initiative has been especially effective in putting fundamental questions about the sense and purpose of the urban development in Berlin back on the agenda. In a manner that drew the wider public’s attention, this movement also succeeded in challenging “entrepreneurial urban policy” in general. In fact, the planning decisions that have provoked citizens’ protest since 2006 contained many elements that seamlessly fit into Berlin’s neoliberal restructuring. The commitment to large-scale, investor-friendly projects at the expense of local organisational structures and needs in order to create locational advantages for the city in the international competition to attract investors; advancing privatisation and commercialisation to the disadvantage of the broader public good; and, overall, the increasingly one-dimensional orientation of planning and land utilisation toward economic targets.

In the light of the state of Berlin’s difficult financial situation, development is largely expected to come from the private sector, whose investments facilitate construction projects and, on this basis, are supposed to create new jobs. Apart from marketing strategies, Berlin (like many other cities) also draws on particular incentive strategies, e.g. the affordable provision of infrastructure, public subsidies, tax concessions, and a form of planning that privileges major investors by means of its large-scale and dense nature. At the same time, Berlin has either adopted a passive role in the development of the city’s economy by re-

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**1** | Source: Dohnke, Jan (2013) Was bleibt von Mediaspree versenken? In Holm, A. (ed.) *Reclaim Berlin. Soziale Kämpfe in der neoliberalen Stadt*. Assoziation A, Berlin/Hamburg, forthcoming.

lying exclusively on private-sector forces or has brought its remaining activities and services primarily in line with economic criteria (cf. e.g. Lebuhn 2007).

Based on the premise that urban policy challenges are constantly increasing in scope and complexity, and that collaborative efforts with relevant economic and civil society actors are needed to appropriately address these challenges, the realignment of urban policy has been accompanied by novel institutional arrangements with non-state actors. These have increasingly come to dominate both the content and targets of urban policies. Governing by way of *urban governance* does, however, raise questions as regards well-established democratic norms and the accountability of urban politics (Edwards 2002). For instance, the opportunity to participate directly in urban development processes is, by and large, a privilege of actors with economic clout (Walters 2004). As a result, urban politics and policy-making centered on social equity has increasingly retreated to the background (Häußermann et al. 2008). Moreover, many of these new forms of cooperation occur in an “institutional void” (Hajer 2003), where rules are mostly hidden from the public. While the urban population is given some opportunities to participate in urban policy making, this is usually confined to smaller details and tied to a predefined scope of action that allows discussion of the “how” but not the “if” of the issues at stake. Public participation is desirable as long as it does not call into question the rationalities and norms of the “entrepreneurial city.” However, as soon as individuals or groups dare to raise their voices in favor of a more socially balanced or alternative development path, their claims are quickly dismissed as “unrealistic” in public debates (cf. Beaumont & Nicholls 2008). In the light of the poor social and economic outcomes of neoliberal development, more and more social movements have emerged recently in Berlin to contest the dominance of neoliberal urban politics. The protests against “Mediaspree”, which were instigated and led by the “Sink Mediaspree!” initiative, were the first in a series of citywide protests. These protests illustrated the conflicts between residents’ interests and urban policy driven by the profit imperatives of the private sector. In the wake of Mediaspree protests, two key questions emerge: “What remains of the movement?” and “What can future protest movements learn from it?”

## “MEDIASPREE” — AN ANCHOR FOR THE FUTURE?<sup>2</sup>

The planned area for the “Mediaspree” project is situated only a few kilometers southeast of the center of Berlin. Stretching along both sides of the Spree river, it forms a section of several kilometers with a surface area of 180 hectares. For

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**2** | Referring to the motto “Mediaspree – Ankerplatz Zukunft” (Mediaspree – An Anchor for the Future).



the most part, this area is located within the district of Friedrichshain-Kreuzberg, which was newly established in 2001. During the Cold War division of Berlin, the Spree marked the border between East Berlin (Friedrichshain) and West Berlin (Kreuzberg) in this area. The west side was characterized by industry. The east side (which is the much larger part of the area), dominated by the building of the Berlin Wall, was a former harbor area, as well as the location for large railway and industrial facilities. After reunification (the so-called *Wende*), numerous industrial facilities fell into disuse. Owing to its central location and the boom of waterfront development projects in other metropolises, the area was soon recognized as an essential development area of Berlin. Initial plans were made as early as in the mid-1990s. They envisaged an enlargement of the city center on the eastern side of the river, with a high density of buildings as well as a focus on offices and retail trade. On both sides of the river, new urban neighborhoods were supposed to develop and connect the area to the surrounding residential districts.

Ever since, the planning of this area has been regarded as an issue of city-wide relevance. It was further substantiated by the “Mission Statement Spree Area” (SenStadt 2001) and the “Mediaspree” development plan. In line with the *Zeitgeist*, the latter set out plans for a new center for Berlin’s media and creative industries, to contain some of the sector’s leading companies. The idea was that this “anchor point” would initiate and promote development in the future. Altogether, the area was earmarked for a dozen high-rise buildings, several hundred thousand square meters of offices, hotels and luxury apartments, an arena for huge events and other event locations. Altogether, this development was expected to create up to 40,000 jobs.

This vision of a glamorous world of offices and consumption stood in sharp contrast to the reality of life in adjacent neighborhoods, which were densely built, dominated by old buildings, social housing and the odd green area. These neighborhoods are inhabited by a diverse mixture of workers, students and other people on generally low incomes. On the Kreuzberg side, this mix is complemented by a high share of people with a Turkish background as well as a strong left-wing and anarchist scene. While this scene had established itself in Kreuzberg over decades in the shadow of the Berlin wall, it also came to manifest itself in Friedrichshain during the 1990s. Due to rising rents (which were often justified by landlords who cited the Mediaspree project) and ongoing gentrification processes in other parts of the inner city, there has been increasing concern that this large-scale project will have adverse effects on living conditions in the neighbouring districts.

The planning and realization of this mega-project were developed in discussions between public and private partners. In the initial planning phase, the vast majority of land belonged to the state of Berlin or public enterprises (which, in turn, were partially owned by the state of Berlin, too). The plan was

to privatize this land by means of selling it to the highest bidder, with subsequent development by private actors. So-called urban development contracts were the preferred means to this end. Bypassing building and planning laws, these contracts allowed for investor-friendly agreements without public participation. The content of these contractual agreements, including the allocation of public subsidies, has largely remained unknown to the public. A development management group founded in 2001 would later be known as “Mediaspree e.V.” This merger of property owners, investors, as well as city and district representatives managed the district’s external commercial strategy and was able to secure public funding due to its ostensible “public interest” status, even though the majority of its members were pursuing self-interested profit motives.

Previous planning measures contained some direct concessions to the public. One idea was to make the banks of the river Spree publicly accessible by building a riverside path and little parks – even if parts of these areas were to remain privately owned. Important parts of the riverbank would have been given up more or less completely to private ownership – and thus, it would have been possible to refuse entry to “undesirable” visitors and disruptive forms of use. Contrary to initial visions and despite numerous large-scale privatization measures, only a few of the planned developments made it beyond the planning stage. This was not least due to the low demand for office and retail spaces in Berlin. Only in a few isolated cases, and with the lure of massive subsidies from the Berlin state, was it possible to successfully attract large media and creative companies (e.g. MTV and Universal) as “anchors” in this area. In fact, many of the highly touted “new” jobs were not newly created: instead, they had already existed in other districts or cities, and were now shifted to this area.

At the same time, creative minds and individuals with permits to temporarily use parts of area were reinventing the industrial wasteland, building a subculture scene on the riverbanks consisting of “beach bars”, trailer parks, clubs, and socio-cultural projects. As a result, the area became more and more important and attractive to people outside the district. Due to its alternative, chaotic, and relatively “open” development, it was accessible to a broad range of users and thus stood in contrast to the official forms of planning dominated by master plans, profit orientation and formal restrictions. This was also reflected in access to the river, which was forbidden or hindered by some landlords to avoid “disturbances.” By contrast, many temporary users enabled access to the water for the first time, even if this access partly entailed (modest) entrance fees.

The Berlin Senate and some of the investors involved in Mediaspree soon became aware of the presence and relevance of these interim users. Investors began marketing the subculture scene along the Spree’s riverbanks as a positive locational factor, or made direct attempts to attract temporary users as “placeholders”. Other landlords, however, considered it more promising to market their premises without temporary users and therefore made attempts

to actively terminate or remove existing forms of use. In this manner, temporary uses were subordinated to the primacy of the economy, their right to exist being tied to their location's economic value. This treatment must be regarded as highly contradictory in nature. On the one hand, it was officially noted that many temporary users pursued the goal of wresting certain spaces from a world dominated by commercial constraints in order to create something different. On the other hand, their temporary character was emphasised, as this kind of interim use was only deemed suitable for areas that were not immediately available for "commercial exploitation" (SenStadt 2007). While self-determination and a sense of personal belonging were recognised as factors in this context, it proved difficult to fit them into economic calculations. As a consequence, this provoked increasing conflicts of use throughout the area.

## THE "SINK MEDIASPREE" CAMPAIGN

In response to the noticeable and ever increasing development pressures on the inner city, particularly those associated with the Mediaspree project, in 2006 members of the left-wing alternative scene founded the "Sink Mediaspree" initiative (Mediaspree versenken!). Their aim was to create a counterweight to urban planning that neglected social and ecological dimensions, as well as to impede rapid development along the banks of the river Spree created by and for large-scale investors, and oriented not towards the district's needs nor the local residents' and users' desires for Spree riverbanks (MSV 2010: 4f.). In the summer of 2007, "Sink Mediaspree" decided to launch a so-called *Bürgerbegehren* (citizens' initiative, see information in box) to raise public interest and legitimacy through a direct democratic vote. To these ends, three demands were made:

*No new building on a 50 meter wide strip on both sides of the Spree.* By this means, the idea was to withdraw the most "precious" areas from the economic logic of utilisation. The resulting free space would allow for a broad and diverse use of the Spree banks (including temporary forms of use), one that went beyond the opportunities offered by the planned public riverside path.

*Limiting the height of new buildings to a maximum of 22 meters.* This historical height level was meant to limit building density and, moreover, ensure that the new buildings fitted in with the older buildings in the surrounding residential areas. This measure was also geared to questioning the principle of "quantity instead of quality" (which gives highest priority to maximising floor space) and to considering alternative ways of planning.

*Rejecting the construction of another road bridge:* Instead of the proposed bridge for automobiles, a new link over the Spree would be accessible only to pedestrians and bicyclists so as to protect the surrounding residential areas from a sharp increase in traffic.

The citizens' initiative entitled "Spree banks for all!" was officially launched in October 2007. It was addressed to the local district, which was officially responsible for the planning measures within the Mediaspree area.

### **Citizens' initiative and referenda**

In 2006 *citizens' initiatives* were introduced in Berlin as an instrument to allow for more participation at the district level. For a citizens' initiative to be successful, the initiative needs to be approved by the district after which three per cent of all eligible voters have to support the initiative by signature within a set period of six months. If successful, the district administration is asked to discuss the implementation of the citizens' initiative. Should an agreement on this issue not be reached, a *referendum* must be held within three months: The district's inhabitants will be asked to vote on the content of the citizens' initiative. For a referendum to be successful 15 per cent of all eligible voters<sup>3</sup> must participate in the vote – and the absolute majority has to vote in favour of the citizens' initiative (BezVG 2006).

The campaign was a resounding success. The collection of signatures helped to raise awareness of the initiative and bring the issue to public attention. In the end, 15,000 signatures were submitted – significantly more than the minimum required. Given that no agreement was reached in the subsequent negotiations, a referendum was scheduled for July 13, 2008. At the same time, intensive networking, public relations, as well as diverse forms of imaginative and non-violent protest helped to move the campaign beyond the confines of traditional left-wing resistance in the district and gain a large number of new supporters. This applied in particular to the interim users, who were not ready to abandon what they had achieved. While at first the opponents of the citizens' initiative were quick to mention the initiative and its supporters in connection with burning cars and other forms of violent protest, these claims ultimately did not hold water.

Based on the widespread rejection of the undemocratic development plans for the Mediaspree area and the shared goal of defending the value of intermediate uses, socio-cultural free spaces and quality of life beyond economic criteria, a district-wide alliance between the creative and left wing milieu was created, which became manifest as a new kind of protest movement in terms of both its form and activism (cf. Colomb and Novy 2011; Scharenberg and Bader 2009). In addition to a visible presence in the district, this alliance also resulted in a variety of creative forms of protest in the run up to the referendum. For instance, there were actions such as "cheering for investors," blocking a

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**3** | In Friedrichshain-Kreuzberg, 3 percent of all eligible voters correspond to about 5,600 people, while 15 percent correspond to about 28,000 people.

steam boat with representatives from the worlds of real estate and business with inflatable dinghies, and the “Spree Parade,” a demonstration held one day prior to the referendum that mobilized more than 3,000 participants and was supported by local clubs. Local cinemas ran advertisements for the initiative, while posters and banners with the slogan “Spree banks for all!” appeared everywhere in the surrounding residential areas. Thanks to the clearly defined content and deadlines of the citizens’ initiative, there were also milestones and targets which helped to focus and “frame” the campaign. For many residents and supporters, the campaign actually served as a more general outlet for their opposition to current urban development processes and policies.

The referendum on July 13, 2008 was an overwhelming success for “Sink Mediaspree” and its supporters. With a turnout of almost 20 percent, 87 percent of the voters (i.e. about 300,000 people) approved the initiative – and thereby rendered the referendum “Spree banks for all!” the most successful in Berlin to date. Political decision makers were almost overwhelmed by the popular groundswell triggered by the initiative. In order to avoid the need to completely revise their plans for Mediaspree, the largest political parties in the district, the Greens and the Left Party, found themselves forced to defend an investment project against their own electorates. Once it became apparent that the referendum would yield a result in favor of the initiative, a debate was launched on how to deal with it. On the one hand, it was impossible to ignore a successful plebiscite. On the other hand, officially the referendum was a mere recommendation to politicians, and not legally binding. Out of this confusing situation, a decision was made to establish the special committee “Spree Area,” which was composed of nine representatives from the district parliament (BVV) and four members of the initiative. The task of this committee was to jointly find solutions to the issues raised by the referendum.

## **THE OBSTACLES TO PARTICIPATION IN TIMES OF INVESTOR-FRIENDLY URBAN DEVELOPMENT**

September 2008 marked the beginning of more than 15 months of marathon negotiations in which options for planning changes were debated with the users and owners of all premises affected by the referendum. The members of the “Sink Mediaspree” initiative re-focused their work and energy from the street towards the committee. Here, the obstacles to genuine citizen participation in a business-oriented urban policy context became clearly evident. The major arguments used to legitimize Mediaspree can be summed up by the formula “jobs, investment, and global competition.” The figure of 40,000 new jobs envisaged for the Mediaspree area was constantly presented as an argument in favor of the development, even though its accuracy was never substantiated. In the context

of international urban competition, Mediaspree was presented as a development that would allow Berlin to compete with other European metropolises (Der Tagesspiegel, July 14, 2008); it was dubbed a responsible, sustainable form of urban project planning that would open up new prospects for the future (Der Tagesspiegel, August 4, 2008). As a result, Berliners would profit from both access to the Spree as well as the investment and new jobs created throughout the entire city (Der Tagesspiegel, July 15, 2008). In this way, citywide relevance was ascribed to the plans for Mediaspree, while the campaign against it was depicted as a local protest by a small minority that stood in opposition to the overall general interests of the city. In line with this interpretation, investors argued that a few thousand people were sabotaging investments running into billions as well as the creation of 40,000 new jobs. Indeed, the referendum revealed a strange understanding of democracy on the part of some of the proponents of Mediaspree. According to some voices, in the Friedrichshain-Kreuzberg district, “17 percent of all eligible voters [...] sank Mediaspree. In fact, this alleged majority only represents a minority – namely 17 percent” (Der Tagesspiegel, July 20, 2008).<sup>4</sup>

The expected compensation payments that would have to be made to investors for modification of the development plan proved to be the most important driver of the debate. Although the affected land was mainly to be used for speculative development (there was no actual demand for new offices or hotels), the private owners could refer to their planning documents when discussing the economic value of the project. It was said that if the demand to ban new buildings within 50 meters of the riverside and restrict building height to 22 meters was implemented, the buildings directly affected by this decision would experience a massive loss in value. The district claimed that compensation amounting to 165 million Euros would be required. As this calculation already included publicly owned premises as well as properties with buildings already constructed on them, the “Sink Mediaspree” initiative estimated compensation of around 40 million Euros would be appropriate. In the light of Berlin’s (and its districts’) chronically strained finances, the compensation payments became the major argument for not changing the plans with regards to the already privatized properties. In the absence of the political will to repurchase properties in order to realize the aims of the referendum, the private sector had complete control over these areas.

At the same time, the Berlin executive had repeatedly stressed prior to the referendum that in order to safeguard its attractiveness as an investment loca-

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4 | This kind of assertion ignores the fact that almost every democratically elected majority would be confronted with severe legitimization problems. For example, the then governing Berlin coalition had “only” been elected by 25.6 percent of all eligible voters (Statistisches Landesamt 2006).

tion, Berlin has to act as a “reliable partner” (Der Tagesspiegel, July 11, 2008) in its relations with investors. It was also argued that risk of breaching or jeopardizing contracts with private investors through implementing changes in planning was also grounds for overruling the district on the issue. Even though the districts of Berlin are in charge of urban planning (i.e. developing and modifying land-use plans, assigning building rights), the Berlin Senate is entitled to remove their planning responsibility when something of “urgent citywide interest” (§7 AB BauGB) is threatened by the respective district’s planning activities. This obviously appeared to be the case in the Mediaspree area. As a result, a range of reforms impairing private sector interests were thus rendered impossible.

This line of argument was strongly supported by the investors represented in the Mediaspree area, who repeatedly declared that Berlin’s international reputation as an investment location was at stake. According to the investors’ spokesman, “foreign associates of some investors [...] were terrified to see that it is possible to nullify legally valid contracts following a referendum” (Der Tagesspiegel, July 22, 2008). The existing forms of planning were not identified as the chief motive for rejecting Mediaspree. Arguments that had played a major role in protests, such as concerns about gentrification, the criticism towards the existing ways of handling public property, or the connection between privatisation and property speculation, were denied or negated in a selective manner. Instead, the success of the referendum was put down to an allegedly selfish minority, which had made itself comfortable within its precarious living conditions or, as the mayor put it, people “who do not like to be confronted with the demand to give something back to society” and whose criticism must “seem like pure mockery to those people in search of a job in Berlin” (Der Tagesspiegel, September 11, 2008). To the Berlin Senate, the successful referendum was explained by reference to a local protest culture that was even willing to deliberately abuse the participatory instrument of referenda. According to this argument, the criticism raised against Mediaspree in Friedrichshain-Kreuzberg was to be regarded as a quasi-natural process that should not be taken too seriously. Taken together, these assumptions denied the legitimacy of the district’s citizens’ protests.

These developments were also accompanied by a thorough reassessment of temporary uses, which had made the Mediaspree area a well-known location even beyond the confines of Berlin. While initially the emphasis was put on the positive role of intermediate users of space as catalysts of desired developments (see above), they now found themselves accused of egotism and a form of profit-orientation that allegedly stood in the way of public interests and was thus “not acceptable” (Der Tagesspiegel, July 11, 2008). At the same time, the previous (unplanned) development, which had provided jobs as well as access to the river, was concealed – and the banks were reinterpreted as a “piece of

wasteland that virtually cries out for development” (Der Tagesspiegel, July 14, 2008). By this means, a successful referendum turned into an abuse of instruments of direct democracy, the claim for more public space and a mostly non-commercial development were reinterpreted as selfish, and profit-seeking interests and local residents were now regarded as an antisocial minority.

In line with this, it was stressed that the responsibility to implement the referendum rested with the district and that the executive would not do it the favor of releasing it from its obligations (Berliner Zeitung, July 16, 2008). Regardless of the fact that citywide interests appeared to be threatened in the area, it was the district that was declared responsible for safeguarding exactly those citywide interests. However, at the same time, a citywide reason was still deemed necessary to supervise the implementation of these processes:

“In the coming months, the Friedrichshain-Kreuzberg district will therefore [...] be closely monitored as to how it deals with the existing development plans and legally valid urban development contracts. As a matter of course, legal and planning certainty must be given to implement investments of such a magnitude. We shall be taking care of this matter, which we regard as essential to Berlin’s international standing” (Senator for Urban Development, Junge-Reyer, Der Tagesspiegel, August 4, 2008).

Against this background, the discussion was primarily focused on the properties still in public ownership, i.e. those belonging to the real estate fund (*Liegenschaftsfonds*) of the state of Berlin; the Berlin Port and Warehouse Company, BEHALA; and the Berlin Refuse and Cleaning Services (BSR). The debate centered on the idea that any planning changes to publicly owned properties should be possible without entailing further compensation payments. The rationale of action pursued by private investors was, however, also adopted by the state-owned companies and the *Liegenschaftsfonds*. They regarded any drop in revenues caused by a discontinuation of sale or changes in planning as a loss and thus saw no reason to relinquish the potential revenues. As the public would face losses if it was not possible to sell public property at the maximum value, selling was regarded as the only sensible decision for the public enterprises present on the banks of the Spree. That public access to these areas might be irrecoverably lost seemed of little importance. During the discussion, responsibility was assigned to the Berlin Senate, which, as an owner, had issued the directive to sell state-owned premises to the highest bidder. For this reason, the state-owned companies and the real estate fund claimed that it fell outside their powers to modify their line of action.

“I have the mandate to sell properties for the maximum gain. Should the state of Berlin as a shareholder want something else now, it should say so clearly” (BEHALA director Peter Stäblein, Berliner Zeitung, July 16, 2008).



Despite being the owner, the Berlin Senate nonetheless emphasized that the state-owned companies had economic independence. This gave the paradoxical impression that there was no responsible partner within this state-owned property management coalition that would have been able to change the adopted course of action, i.e. marketing and selling public property to the highest bidder. The key role of the Senate became even more apparent when the district tried to change planning decisions within its area by means of applying its own planning law. Throughout the negotiations, the Department for Urban Development adopted such a threatening posture that the district hardly dared to modify existing plans. Nonetheless, the situation escalated in February 2009. The riverside area of a property belonging to the state-owned real estate fund was converted into a green area. As an ultimatum, the executive threatened to remove the district's responsibility for the issue unless it reversed this decision, which it promptly did. On the whole, the work in the special committee had little in common with the focused and creative protest that had contributed significantly to the success of the referendum. As almost all activities were transferred to the special committee and given the appearance of an open, property-related discussion instead of an overriding debate on the guiding principles of urban development in Berlin, the campaign "lost much of its dynamism. In this way, the underlying conditions that severely hampered the likelihood of implementing the aims of the referendum were never sufficiently debated.

The Berlin Senate managed to indirectly guarantee the guiding principles of the Mediaspree project and advance the planned development via the state-owned companies without having to take an active role itself. Investment security was used as an argument to guarantee the inviolability of private sector interests. Planning changes on private premises within the area were refused in a dogmatic manner. At the same time, the privatization of public property was promoted by the state-owned companies, which – although formally independent – had adopted a one-dimensional economic logic of action at the command of the Berlin Senate. With the threat of withdrawing planning competencies from the district authorities, the Senate pressured the districts' leaders not to call into question this kind of urban development. This led to a series of actions in which it became hard to distinguish the actions and motivations of public stakeholders from those of private investors, and one which could not be broken at a district level.

Given the limited scope of action, it was thus only possible to find solutions and compromises that did not touch on the Mediaspree project's guiding principles and which were remote from the actual demands issued by the referendum. As a result, the "Sink Mediaspree!" participation in the special committee served to legitimize urban policy that it was barely able to influence. When more and more members and supporters of the initiative became aware

of this, its representatives left the committee in late 2009 in order to prevent the further endorsement of its decisions by their presence.

## **SUMMARY AND OUTLOOK — WHAT REMAINS OF “SINK MEDIASPREE”?**

There were widely diverging views on whether the results obtained represented a successful outcome of the referendum. The district celebrated “more Spree banks for everyone” (*Berliner Zeitung*, November 18, 2009), whereas the “Sink Mediaspree!” initiative pointed to the “pitiful results” of the negotiations (*die tageszeitung*, December 3, 2009). For some areas, a broadening of public space along the riverside was achieved, and one high-rise building was removed from the plans. It is indicative that these modifications were only made possible on state-owned properties. Notably, they mostly occurred through internal agreements between representatives of the district, the Berlin executive and the state-owned companies rather than by way of public debate within the special committee. For this reason, they must be understood as a result of general public pressure and the district’s negotiating skills rather than as an expression of the opportunities to bring about changes in planning by way of participating in special committees established by local government.

As the campaign against the project Mediaspree has shown, it is possible to turn local large-scale projects and undemocratic forms of planning into an issue of citywide relevance and, moreover, to successfully formulate fundamental criticism to neoliberal urban policy. This was only possible on the basis of a common objective as well as persistent, creative and peaceful protest by a broad alliance that existed and acted off the beaten path. In fact, the citizens’ initiative provided to be a democratically legitimate vehicle for framing the debate from which political decision makers could not hide. A different strategy would, however, have been necessary to achieve better results. When the protests had reached their peak, it was still possible to put the background issues in the protest against Mediaspree onto the city’s agenda. By this means, critical voices fundamentally questioning the logic of Mediaspree’s proponents had also found a city-wide audience. But instead of maintaining pressure and instead of publicly addressing the key role played by the Berlin executive, the one-sided emphasis of the special committee weakened the pressure on political decision makers. In the end, the voices in favor of Mediaspree were the only ones heard in the public debate. Moreover, active support for the initiative declined because the referendum had suggested a successful end to the campaign, while in reality it marked only the beginning of protracted and time-consuming negotiations. As a result, there was a lack of resources right at the point in time when they were most needed in the “political game” against the public admin-

istration and politicians. Finally, neither the political instrument chosen at the district level (the referendum) nor participation in the special committee were sufficient to influence the decisive actor, the Berlin Senate. While it is difficult to identify responsible policy-makers in a situation of increasingly interconnected public and private interests, it nonetheless remains essential to do so in order to enable a genuine form of participation. More recent urban political alliances are well aware of this and have thus made an effort to come directly into contact with the Berlin executive.

Despite the comparatively meager results, it would not be fair to regard the protests against Mediaspree as a failure. Instead, they can be seen as a prelude to a growing awareness for fundamental issues of urban development in Berlin. This has become obvious on the banks of the Spree, but also in other parts of the city, especially as regards the handling of public real estate. While a neoliberal and “entrepreneurial” form of urban policy may continue to prevail in Berlin, the emphatic vote for an alternative form of development along the Spree will be certain to shape political debates in the city in the years to come.

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